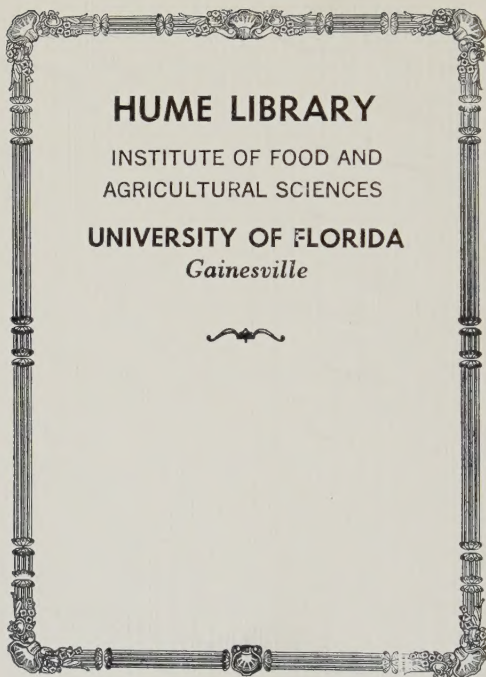




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AMERICAN PORK PRODUCTION

IN THE WORLD WAR

BY

FRANK M. SURFACE

FORMERLY ECONOMIST FOR THE UNITED STATES FOOD
ADMINISTRATION AND FOR THE AMERICAN
RELIEF ADMINISTRATION.

A STORY OF STABILIZED PRICES AND OF THE CONTRI-
BUTION OF AMERICAN FARMERS TO THE ALLIED CAUSE
AND THE POST-ARMISTICE FAMINE.



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This book is dedicated to those untold thousands who, far from the glamor of the battlefield, patriotically served their country during the Great War by producing foodstuffs on American farms.



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PREFACE

SOME of the broad outlines of the story contained in this volume were sketched in the late fall of 1919, after the writer's return from Europe, where he had been associated with the work of the American Relief Administration. The pressure of other work, however, prevented the completion of the manuscript at that time and it was laid aside. It was not until the summer of 1925 that opportunity was found to take this up again.

Much time has been spent in consulting the war-time government documents and files in order to fill in the details of this important and most interesting story. These sources have been supplemented by material from the files of the American Relief Administration and by many valuable documents from the War Library of Stanford University, California. The writer desires to express his thanks to H. H. Fisher, of that library, for the valuable assistance rendered. Indebtedness is also acknowledged to various unpublished manuscripts prepared by Dr. Thomas H. Dickinson, at one time Historian for the American Relief Administration. Frederick S. Snyder, of Boston, formerly Chief of the Meat Division of the Food Administration, was kind enough to read the manuscript and gave many helpful suggestions, particularly concerning negotiations which were not completely recorded in the files.

The story has expanded into a volume considerably larger than was at first intended. This has been caused chiefly by the inclusion of a relatively large number of letters and documents. For the most part, these documents and other material, not vitally essential for the story itself, have been placed in footnotes where they may be read or not, as the reader wishes. However, it is believed that for many readers these documents will be the most interesting part of the book. They alone will tell the story, and behind them one

can read the pulsing, throbbing energy of the struggles of the war-time and Armistice days.

It is the writer's hope that this little volume, thus richly supplemented by actual documentation and other concrete evidence, may form some contribution towards a better understanding of the economics of our war-time food measures, and also that it may give the American farmer a clearer view, both of his own great contribution to the war and of the measures which were taken to protect him in his efforts.

FRANK M. SURFACE

Washington, D. C., April 6, 1926

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INTRODUCTION

INTRODUCTION

It was Bismarck, I think, who said, that the first requirement for waging a successful war was money and that the second requirement was more money while the third and last requirement was still *more* money. The germ of truth in this aphorism was clearly illustrated in the World War, but it was shown there also that money itself was not sufficient, but that with it must go the ability to buy those things needed to prosecute the war and to maintain the population in health and good spirits. It was the Allied blockade, by its long continued and ever-increasing economic pressure on the Central Powers, that brought about the breakdown in German morale both in the army and at home. The inability of Germany to buy foodstuffs, textiles, rubber, copper, and other needed materials contributed fully as much towards the winning of the war as did the Allied success at arms. Conversely, the relative abundance of these things for the Allied forces, due in a large measure to American participation in the war, and the patriotic efforts of American farmers, was of the greatest importance in bringing about an early and successful termination of that momentous conflict.

It is the last desire of any understanding American, to detract, in the least degree, from the glory of the Allied and American soldiers and sailors in accomplishing the defeat of the enemy. No amount of effort or of sacrifice by those of us who were engaged behind the lines can make up, even for the risk of the supreme sacrifice faced by those who were among the flying shot and shell or who experienced the horrors of gas attacks or submarine raids. Yet some credit must be due to those who patiently worked on farms, in factories, or in crowded offices, or who voluntarily saved food in American homes in order that the military and naval forces might be able to "carry on" under the most advan-

tageous conditions. No history of the Great War can be complete which does not take into account the efforts of these countless civilian soldiers. The records of their accomplishments may be less glorious than those of the battlefield but they were not infrequently filled with dramatic interest.

Raising pigs on a corn-belt farm or packing pork products in a Chicago abattoir may seem commonplace and far removed from the shell-swept trenches of Flanders, but it will be our purpose, in this little volume, to show something of the relation between these activities. We shall endeavor to give some insight into the measures which were adopted in order to secure and maintain, under war-time conditions, when the normal laws of supply and demand were suspended, that delicate but necessary balance between production, consumption, exports, and prices.

Finally, we shall present a hitherto unwritten chapter in the history of the Armistice days in which the work of the United States Food Administration under Herbert Hoover played such an important part. It will be impossible, within the scope of this volume, to present more than a brief sketch of the numerous economic measures taken both at home and abroad. But the story of the part played in these great events by the plain American hog; of how our surplus pork production was handled; of the almost insuperable obstacles that were overcome in one of the hardest fought battles ever waged to protect the American farmer, is not without interest. Without it we would have had a debacle in agriculture without parallel and we would have seen a vast chaldron of starvation in Europe.

During that stirring period of the war, the public mind was concentrated upon the drama of armies and, but for the secondary question of food conservation, there was, and is, but little public understanding of the vast economic and political problems which underlay the war-time food supply of the world. Here, undoubtedly, was the greatest emergency in the world's food supply and the greatest problem in

economic strategy ever presented in the history of mankind. The solution of these stupendous problems required single-headed direction; it required tactics and strategy akin to those of the commanding generals upon the Western front; there were scores of millions who must be fed if we were to win the war, and they had to be fed at once. To do this, supplies had to be created immediately, not after months or years of parley and conferences.

In the solution that was reached the American farmer was protected from forces that would have brought disaster to him, profiteering was prevented and, above all, the world was saved from a starvation greater than that during the Thirty Years' War, when one-third of the population of Europe died. The great forces of this food army, the farmers, the housewives, the merchants, the transportation agencies—responded to direction with the same patriotism and devotion as that vast army of men who formed the military arm of the nation.

Broadly, the story which develops from a review of this period is as follows: The European Allies were always dependent upon overseas sources for much of their breadstuffs, for fodder for their animals, and for some margin of their fats, meats, and sugar. Before the war, a dominant portion of these products came from Russia and some came from territories later occupied by the enemy or cut off by opposing armies. A further large portion came from India and the Southern Hemisphere, South Africa, Argentina, Australia, and the tropics. With the depletion of the manpower of the Allies, their domestic production decreased greatly. With the inroads of the submarine, the far distant sources had to be abandoned; with the need of ships to transport the American Army these sources had to be curtailed still further. In the last stages before America entered the war, the Allies drove frantically against the United States and Canada for supplies. To protect themselves from mounting prices they organized their buying into a single hand in an endeavor to dominate the markets.

But they had paid no regard to agricultural economics in the Western Hemisphere and were swiftly destroying their remaining sources.

One incident of this frantic drive was the attempt to maintain their animals. They were making huge drafts upon our fodders and at the same time holding down the price of animal products by controlled buying of our exports. As a result, they distorted relative prices so that the American farmer could better sell his fodder and cease growing animals. Thus our production of animals rapidly decreased. Upon the top of this came the failure of our wheat crop in 1917, when we produced barely enough for our own supply.

In this situation we entered the war. The problems confronting the newly established Food Administration were manifold. It had fundamentally to secure an increase in production and a decrease in consumption not only to bring exports up to the pre-war normal of around 6,000,000 tons of food per year, but to actually increase this rate to upwards of 20,000,000 tons annually—if America was to replace the inaccessible markets and to keep the Allied populations in health and courage and their armies fed.

But to do this, the distortion in demands had to be smoothed out, the Allied supplies had to be shifted directly to animal products instead of fodder, even at the cost of their own animal herds—for it meant a greater total by the use of American agriculture and it meant less ships by more concentrated food. The Food Administration had to set up price levels that would be just and that would stimulate American and Canadian farmers; it had to secure a decrease in consumption, and to create agencies that would eliminate the vast speculation and profiteering by middlemen then in progress, and it had to create a vast sense of service in production, of denial in consumption, with a rigid elimination of waste. And then all of this vast mass of food material must be bought, transported to the ports, and shipped overseas with never failing regularity, and it had to be started at once.

The vast economic machine, which was thus put into motion, worked with magnificent results, but when the Armistice came and the dammed-up supplies in the rest of the world were turned loose and sought by the Allies at lower prices than the American farmer had been assured, and when 200,000,000 starving people under enemy control were displayed to the world, a sudden shift in strategy and tactics had to be made in every direction. This shift was vitally necessary if American agriculture and American food trades were to be saved from complete panic and bankruptcy and if at the same time the vast populations in Central Europe were to be saved from the inevitable anarchy of starvation. But many of the new nations had neither credit nor ships, while the enemy countries were prevented by the Allies from using their resources. The struggle to secure this shift without disaster to the American farmer forms a brilliant chapter in American history which hitherto has never been disclosed.

It is not the purpose of this book to deal with the equally great problems involved in breadstuffs or the lesser problem of sugar (which the war disclosed to be a necessity, not a luxury) but to deal with the problem of meats and fats. For herein lies the great dramatic story of millions of farmers, of starving nations, of repudiated contracts, of vast commercial agencies, of millions of tons in ships and cars, and of billions of dollars in finance.

This, perhaps more than any of his many other noteworthy achievements, shows the character and versatile ability of Herbert Hoover in dealing with a wide range of problems and with varied groups of individuals, ranging from representatives of American farmers to Prime Ministers of foreign countries. The successful accomplishment of these objectives not only was of immediate momentous importance to every American farmer and to millions of others in this country and abroad, but it prevented a debacle in stabilized government in Europe which may well be regarded as a turning-point in the world's history.

My warranty for an attempt to tell this story is that I occupied the position as an economic adviser in the vast machine which performed these labors. I have seen its human side both at home and abroad. I have had access to its records. It is a vast episode in world economics, but more pertinently, it is a chapter of American effort, American intelligence, American efficiency, and American generosity that should add to the pride and satisfaction of our people.

AMERICAN PORK PRODUCTION
IN THE WORLD WAR

WHAT AMERICA MEANT TO THE ALLIES IN 1917

Entrance of United States into the war. Food shortage in the Allied countries. Most important foodstuffs. Need of fats in the diet. Allied fat requirements. Sources of fats. Vegetable oils. Animal fats. Decrease in Allied live stock. Shortage of meats and fats. The American hog the salvation of the Allied fat supply.

It was perhaps inevitable that, sooner or later, the United States should be drawn into the vortex of the terrific world struggle ignited by the episode at Sarajevo on June 28, 1914. Modern methods of transportation and communication had made the world too small and had made our daily life too dependent upon free international intercourse for this country not to be seriously affected by such a colossal conflict. Geographic isolation and economic sufficiency were enough to delay our entrance into the conflict for nearly three years.

Had Germany not made such gross errors in judgment and diplomacy, our participation might have been delayed still longer. The utter disregard of international conventions and agreements by Germany in the early days of the war, together with the fact that Allied propaganda had freer access to this country, had molded public opinion in favor of the Allied cause. Nevertheless, even at the end of 1916, public sentiment was predominantly against our participation in the war.

The inauguration of the unrestricted submarine campaign and the unwarranted destruction of American citizens and American commerce quickly brought the issue to a climax. No sovereign nation could tolerate such acts and keep its self-respect. German militarists had looked at our insignificant standing army with derision. But they had failed to see behind it the vast resources of wealth, food, and raw ma-

terials and what these would mean to the Allied cause. Nor had they counted upon the rapidity with which the American civilian could be turned into an efficient fighting machine. However heavily the Allied blockade may have weighed upon Germany, there were no advantages to be had through retaliation which could offset the gain to the Allied cause by the entrance of the United States as an active participant in the war.

The entrance of the United States as a belligerent in April, 1917, was hailed by the Allied nations chiefly as an assurance of greater food supplies. Three years of grueling warfare, with its draft on man-power and its devastation of farming land had left the Allied countries with a shortage in food supplies that was causing grave concern in the winter of 1916-1917. There could be no doubt that one of our first and most important immediate contributions to the Allied cause was an increased supply of food.

The food shortage in the Allied countries was confined chiefly to three important classes of products. These were breadstuffs, fats, and sugar. Of these, breadstuffs were by far the most important, and the most strenuous efforts had to be made during the winter and spring of 1917-1918 to keep the Allied armies and civilians supplied with these products. No one will ever know the strain under which our own and the Allied officials labored, when, with practically a crop failure in this country, stocks of bread grains abroad fell below the danger point and the shortage and uncertainty of shipping rendered it doubtful if they could be replenished in time. February to April, 1918, marked the crisis in the bread supply of the Allied nations. Conservation by the American people and close cooperation between officials made it possible to pass this turning-point which, otherwise, might have changed the history of the war.

In normal times Europe is almost entirely dependent upon the beet industry for her sugar supply. But the sugar beet industry had been almost completely destroyed by the

war. The beet sugar output of France, during the five pre-war years, 1909-1913, averaged 750,000 tons a year. By 1918 this had fallen to only 110,000 tons. Similar reductions occurred in other countries. The belligerent lines permitted no imports from other producing fields of Europe, most of which were within the territories of the Central Powers. This resulted in throwing almost the whole of the Allied demands for sugar upon Cuba, which is the main source of supply for the United States. Such extraordinary demand resulted in demoralization of the American market, necessitating prompt and vigorous action by the United States Food Administration. This resulted in the establishment, under Mr. Hoover's chairmanship, of the Sugar Equalization Board, which controlled the distribution of the Cuban and American crops, both to the Allied countries and within the United States.

With regard to meats and fats the situation in the Allied countries was no less serious, but the exact extent of the shortage is more difficult to demonstrate because of the lack of definite figures giving either the production or consumption of these products.

Fat forms a necessary portion of the diet. The absence of fat or even its reduction below a certain minimum, results in various digestive disorders which were particularly prevalent in Germany and Austria when the Allied blockade succeeded in shutting out all significant imports of food-stuffs. In fact, the lack of fats was particularly serious in the Central Empires and was one of the most important causes of the discontent which led to the termination of the war.

Quite apart from the physiological need of fat, it is important as furnishing a flavor for many vegetables, rendering them more palatable and hence more digestible. Fat also digests more slowly than other foods and hence, in a period of reduced rations, prevents the return of the feeling of hunger for a longer time. A piece of bread and butter will allay

hunger longer than an equal amount of nourishment in the form of bread alone. It is clear that both from a physiological and psychological point of view a certain amount of fat is necessary. The Inter-Allied Scientific Food Commission considered that the minimum desirable quantity of fat in the diet of the average man was 75 grams (2.65 ounces) per day. For comparison with this it may be stated that the average per capita consumption of fat in Germany in 1918 was reduced to around 30 grams (1.06 ounces) per day¹ compared with 99 grams pre-war.

The chief sources of fats used for human foods are (1) vegetable oils extracted from, or contained in, various oil-bearing seeds and nuts; (2) animal fats and oils, of which oleo oil, lard, and pork products are the most important, and (3) other animal products, chiefly butter-fat.

Some idea of the total fat requirement of the Allied countries is shown by the following table, compiled from data published by the Inter-Allied Scientific Food Commission.² The Commission estimated the total fat requirement of each Ally by allowing 75 grams per day per average person except for some increase for troops in actual fighting. The home produced fat was computed from the estimated production of all crops and live stock products.

Vegetable oils form a large portion of the normal fat supply of Italy and France and a somewhat smaller proportion of the supply for Great Britain. The production of these oils had declined very materially since the beginning of the

¹Report prepared in December, 1918, for Mr. Hoover, by the German Scientific Commission to investigate the present food situation. (Bericht der Freien Wissenschaftlichen Kommission zum Studium der jetzigen Ernährungsverhältnisse in Deutschland. 27 Dezember, 1918.) See also Chapter XI, page 125.

²The Inter-Allied Scientific Food Commission (Commission Scientifique Interalliée du Ravitaillement) was created at Mr. Hoover's suggestion, by the Interallied Conference at a meeting held in Paris in November, 1917. It consisted of two members each from Great Britain, France, Italy, Belgium, and the United States. Its purpose was to study the rations and food supplies of the several countries from a scientific standpoint and to make recommendations to the several governments of measures to insure the health and well-being of both military and civilian populations.

ESTIMATED REQUIREMENT, PRODUCTION, AND NECESSARY IMPORTS OF FAT IN THE ALLIED COUNTRIES FOR THE
CROP YEAR 1918-1919

(Metric Tons)

Country	Estimated Total Fat Requirements	Home Production	Necessary to Import
United Kingdom.....	1,242,000	486,500	755,500
France.....	979,975	495,145	484,830
Italy.....	888,500	475,100	413,400
Total.....	3,110,475	1,456,745	1,653,730

war. According to the report of the Inter-Allied Scientific Food Commission the average pre-war production of olive oil in Italy was 182,000 tons, and in 1918 was estimated at only 163,000 tons. Vegetable oil production in France amounted to some 42,000 tons per year before the war but was only 30,000 tons in 1918. Of this latter amount it was estimated that only 6,000 tons would be available for human consumption because of the demands of munition and industrial needs in connection with the war. Before the war, France averaged to import about 150,000 tons of oil per year, making her total human consumption about 192,000 tons against which only 6,000 tons were estimated as available from domestic sources in 1918.

The total imports of vegetable oils or their equivalent in seeds were fairly well maintained in the United Kingdom during the war, but for France and Italy there was a marked reduction in 1918. The total oil equivalent imports for the three countries in 1918 were about 25 per cent below those for 1914.³

With regard to animal fats, it is much more difficult to demonstrate with statistics the actual reduction which took place after 1914. Any figures showing the reduction in the number of animals tell only a part of the story. The short-

³The following table gives some comparative data on the imports of vegetable oils and oil seeds (oil content) into the three Western Allied countries over a series of years:

age of feeding materials, particularly concentrated feeds, resulted in a much lighter weight per animal and particularly in a much smaller quantity of fat. It also materially reduced the production of milk and butter-fats.⁴

In the United Kingdom the number of cattle actually increased during the war years compared with pre-war. There was, however, a decided decrease in the number of hogs, which dropped from the pre-war average of 3,810,000 to less than 2,800,000 in 1918. The number of sheep in the United

NET IMPORTS OF VEGETABLE OILS AND THE OIL CONTENT OF IMPORTS OF OIL SEEDS INTO THE ALLIED COUNTRIES, 1914 TO 1919*
(Long Tons)

COUNTRY	1914			1915		
	Oil	Oil Content of Seeds	Total	Oil	Oil Content of Seeds	Total
United Kingdom...	318,558	194,993	513,551	355,150	276,789	631,939
France.....	(-20,562)†	274,333	253,771	(-19,400)†	241,241	221,841
Italy.....	1,992	11,505	13,497	(-25,108)†	16,496	(-8,612)†
Total.....	299,988	480,831	780,819	310,642	534,526	855,168

COUNTRY	1916			1917		
	Oil	Oil Content of Seeds	Total	Oil	Oil Content of Seeds	Total
United Kingdom...	323,882	224,232	548,114	223,372	233,078	456,450
France.....	36,564	239,940	276,504	84,022	159,846	244,868
Italy.....	25,351	20,542	45,893	10,864	6,328	17,192
Total.....	385,807	484,714	870,511	318,258	399,252	718,510

COUNTRY	1918			1919		
	Oil	Oil Content of Seeds	Total	Oil	Oil Content of Seeds	Total
United Kingdom...	247,970	250,097	498,067	289,836	318,173	608,009
France.....	25,251	62,291	89,542	99,616	154,802	254,418
Italy.....	8,185	1,439	9,624	15,562	5,778	21,340
Total.....	283,406	313,827	597,233	405,014	478,753	883,767

*Includes import of oleomargarine and butter.

†Net exports.

SOURCE: Based on data from the International Institute of Agriculture, Rome.
Conversions made by Foodstuffs Division, Bureau of Foreign and Domestic Commerce.

⁴See page 17.

Kingdom also declined during the war but the rate of decline was not much faster than that before the war.

In France the numbers of all classes of live stock declined, due partly to the action of the enemy in the occupied territory. The number of cattle dropped from the pre-war average of 14,253,000 to 12,251,000 in 1918; sheep from over 16,000,000 to only 9,000,000, and hogs from 6,700,000 to only 3,080,000 in 1918.

No annual figures for the number of live stock in Italy are available. However, census figures for 1914 and 1918 show that only comparatively small decreases occurred.

Although, as pointed out above, the total animal population of the Allied countries did not show such marked reductions, yet the output of product was very much reduced by the poor condition of the animals. Also, many of the cattle in France and Italy, even milk cows, had to be employed as draft animals to make up for the horses which had been furnished to the army. The production of milk in France fell from a pre-war average per head of milk cows of 10 hectoliters (2,204 pounds) to 7 hectoliters (1,543 pounds) in 1918.

*NUMBER OF CATTLE, SHEEP, AND HOGS IN THE ALLIED COUNTRIES
1910-1924

(Thousands Omitted)

Year	UNITED KINGDOM*			FRANCE†		
	Cattle	Sheep	Hogs	Cattle	Sheep	Hogs
1910.....	11,765	31,165	3,561	14,532	17,111	6,900
1911.....	11,866	30,480	4,250	14,552	16,425	6,720
1912.....	11,915	28,967	3,993	14,706	16,468	6,904
1913.....	11,937	27,629	3,306	14,807	16,213	7,048
1914.....	12,145	27,886	3,940	12,668†	14,038	5,926
1910-14(Aver.)	11,925	29,225	3,810	14,253	16,051	6,700
1915.....	12,132	28,198	3,784	12,514†	12,379†	4,916†
1916.....	12,413	28,771	3,605	12,342†	10,845†	4,362†
1917.....	12,346	27,788	2,999	12,242	9,882	4,165
1918.....	12,274	26,981	2,799	12,251	9,061	3,080
1919.....	12,454	25,048	2,914	12,374	8,991	4,081
1920.....	11,735	23,329	3,105	13,217	9,406	4,941
1921.....	11,857	24,198	3,628	13,343	9,600	5,166
1922.....	12,026	23,689	3,487	13,576	9,782	5,196
1923.....	11,979	24,080	3,965	13,749	9,925	5,405
1924.....	11,252	24,857	4,365	14,025	10,172	5,802

*British Ministry of Agriculture and Fisheries, Agricultural Statistics, Vol. 59, Part 1. Census June 1.

†Census December 31, for 1914, 1915, 1916, excludes invaded area.

The accompanying table compiled again from data presented by the Inter-Allied Scientific Food Commission makes clear the decline in the production of meats and dairy products in 1918, compared with the average of the five pre-war years 1909-1913.

PRODUCTION OF MEATS AND DAIRY PRODUCTS IN THE ALLIED COUNTRIES PRE-WAR AND IN 1918
(Metric Tons)

COUNTRY	MEATS			DAIRY PRODUCTS		
	Pre-War Average	1918	Per-centage of De-crease	Pre-War Average	1918	Per-centage of De-crease
United Kingdom	1,615,000	962,000	40.0	4,704,000	3,805,000	19.1
France...	1,594,000	1,186,300	25.6	2,946,700	1,643,200	44.3
Italy.....	682,500	466,200	31.7	870,000	475,000	45.5
Total...	3,891,500	2,614,500	32.8	8,520,700	5,923,200	30.5

This table and the accompanying diagram (Figure 1) show that by 1918 the production of meats in the three Western European Allies had been reduced by one-third of the pre-war average production while dairy products had declined more than 30 per cent in the same period. In addition to the home produced meats these three countries averaged to import for home consumption during the pre-war years approximately 1,194,000 tons of meats. Of this amount the United Kingdom imported 1,160,000 tons, Italy 25,000, and France 9,000 tons. To have a meat supply for these three countries in 1918 as large as the pre-war average would require over 5,000,000 tons, of which approximately half would have to be imported.

The Allied countries were adopting strong measures at this time to reduce the consumption of meat as far as possible. In France the army ration in 1917 was reduced from 450 grams to 400 grams per day. Meats were allowed to be served only once a day at public eating houses, and meat dis-

PRODUCTION OF MEATS & DAIRY PRODUCTS **In the Allied Countries**

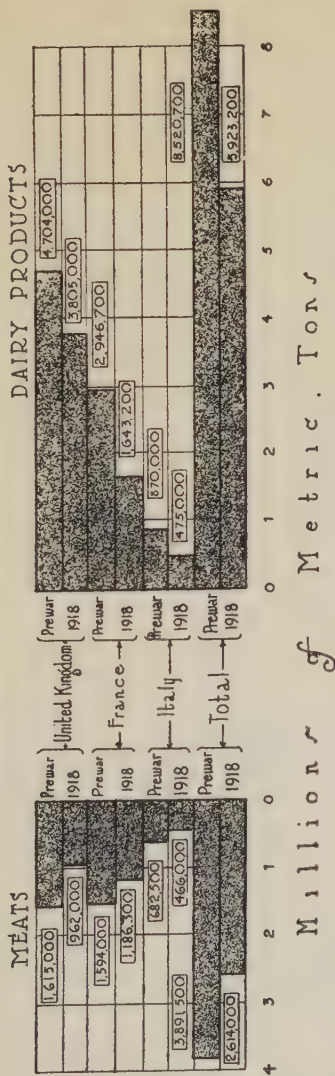


Figure 1: In 1918 the total production of meats and of dairy products in the Allied countries were each nearly one-third less than the corresponding pre-war average production. This meant that much larger imports of these products would be required if the Allied nation was to be sufficient to maintain their people and their armies in health and strength.

tributors could keep their shops open only during the forenoon. Later, meatless days were adopted with the object of reducing civilian meat consumption to two-thirds of that before the war. In England severe restrictions were placed on the amount of meat each family could buy and meatless days were strictly enforced. British meat consumption in 1918 was less than in the pre-war years by about 700,000 tons, or 25 per cent.

Italy was never a large meat-eating nation but restrictions on consumption were in force there also. The total consumption of meats in Italy in 1918 were planned as about two-thirds of that before the war.

Data on the total decline in meat production in the Allied countries do not yet give an adequate idea of reduction in the fat ration. Many of the animals slaughtered were in poor condition and possessed much less fat than normally. Furthermore, pork is by far the most important fat contain-

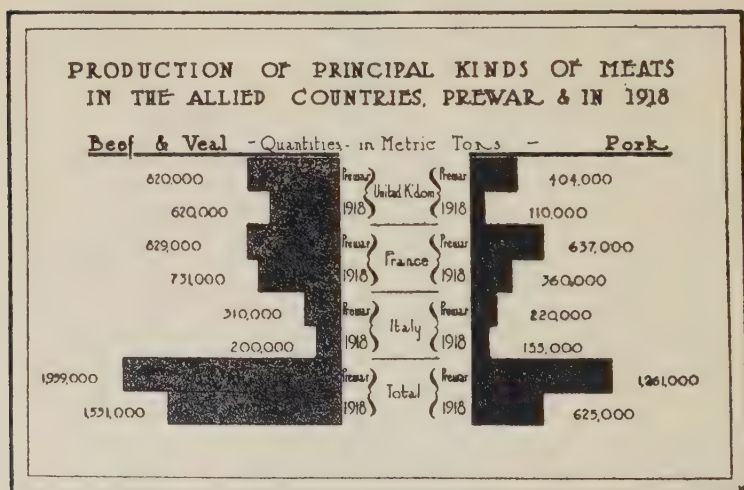


Figure 2: Showing that in 1918 the production of pork in the Allied countries was curtailed to a larger extent than that of beef and veal. Pork is the most important source of animal fats and its decrease to half the pre-war average production shows how greatly the fat ration of the Allies needed to be supplemented.

ing meat and the decline in pork production was much greater than in the case of other meats. Thus, for the three European Allies the production of pork was reduced about 50 per cent in 1918 compared with pre-war, while the output of other meats declined by only about one-third for the same period.⁵

Thus at the time of our entrance into the war, one of the urgent needs of the Allied countries, second only to their need for cereals, was that for meats and fats. Furthermore, the world shortage of shipping caused by the unrestricted submarine warfare of Germany, and the increased need for tonnage to transport munitions and soldiers, made it neces-

⁵The following table gives a comparison of the quantities of the principal meats produced in each of the Allied countries before the war and the estimated production for 1918:

PRODUCTION OF THE PRINCIPAL KINDS OF MEAT IN THE ALLIED COUNTRIES
BEFORE THE WAR AND IN 1918
(Metric Tons)

COUNTRY	BEEF AND VEAL		
	Pre-War	1918	Percentage of Decrease
United Kingdom.....	820,000	620,000	24.4
France.....	829,000	731,000	11.8
Italy.....	310,000	200,000	35.5
Total.....	1,959,000	1,551,000	20.8

COUNTRY	PORK		
	Pre-War	1918	Percentage of Decrease
United Kingdom.....	404,000	110,000	72.7
France.....	637,000	360,000	43.5
Italy.....	220,000	155,000	30.0
Total.....	1,261,000	625,000	50.5

COUNTRY	MUTTON, LAMB, AND OTHER MEAT		
	Pre-War	1918	Percentage of Decrease
United Kingdom.....	391,000	232,000	40.6
France.....	128,000	95,000	25.8
Italy.....	152,500	111,200	26.4
Total.....	671,500	438,200	34.7

SOURCE: Rapport Général—*Les Ressources et les Besoins Alimentaires des Pays Alliés*, Commission Scientifique Interalliée du Ravitaillement, Paris, October, 1918.

sary for the Allies to secure their food supplies as near home as possible, and that meant from North America.

Fortunately, American agriculture was so developed that, by proper stimulation, the Allied demands for fat could largely be met in this country. This was due to the hog industry, particularly as developed in the great corn belt of the Middle West. The hog breeds rapidly and under normal conditions will produce two litters per year, averaging from 7 to 9 pigs per litter. Under proper management these pigs can be grown and fattened for market within 8 months at weights averaging upwards of 200 pounds. Corn is the principal feed upon which the American hog is grown and fattened. Our enormous corn crop of some 3,000,000,000 bushels per year, or 75% of the world's production of this grain, makes the United States the premier hog producing country of the world. The prolific and quick maturing qualities of the hog explain why in many years we slaughter more than 100% of the animals on hand at the beginning of that year, often without decreasing the number on hand at the beginning of the next year.⁶

⁶ESTIMATED NUMBER OF HOGS ON FARMS AND TOTAL NUMBER SLAUGHTERED
IN THE UNITED STATES EACH YEAR
(Thousands Omitted)

Year	Number on Farms January 1	Estimated Total Number Slaughtered During Year	Percentage Slaughtered of Those on Farms January 1
1909.....	54,147	53,220	98.3
1910.....	58,186*	44,074	75.8
1911.....	65,620	58,022	88.5
1912.....	65,410	56,022	85.7
1913.....	61,178	57,974	94.8
1909-13 (Aver.).....	60,908	53,863	88.6
1914.....	58,933	55,144	93.6
1915.....	64,618	62,094	97.0
1916.....	67,766	70,055	103.4
1917.....	67,503	57,489	85.2
1918.....	70,978	65,732	92.6
1919.....	74,584	66,680	89.4
1920.....	59,344	60,636	102.2
1921.....	56,097	62,173	110.8
1922.....	58,327	67,051	115.0
1923.....	68,427	81,533	119.2
1924.....	66,130	80,626	121.9
1925.....	54,234	68,294	125.8
1926.....	51,223		

*Census return as of April 1.

SOURCE: Based on data from U. S. Department of Agriculture.

The problems which faced the United States in 1917 with regard to fats, therefore, were to secure a rapid increase in the number of hogs and to secure an increased and even flow of pork products to the European Allies. The solution of these problems, under the powers which the Administration possessed, was not as simple as it might at first appear. With the normal laws of supply and demand largely inoperative, it was necessary to substitute in their place, artificial agreements and practices which inevitably resulted in upsetting that delicate economic balance which characterizes normal commercial operations.

II

WHAT AMERICA DID TO STIMULATE PRODUCTION AND TO CONSERVE FOOD

Importance of greater food supply realized by the Government. Request for Mr. Hoover to return from the Belgian Relief work. Legislation to control war-time food situation. Methods of control proposed. Powers conferred by the Food Control Act. Three powers most important. No power to fix prices.

THE importance of an increased food supply for the Allied countries was clearly recognized by the United States Government at the time of our entrance into the conflict. This is plainly shown by the urgent steps which were taken to mobilize our food resources. Even before our declaration of war against Germany, the newly organized Council of National Defense had cabled Herbert Hoover, asking him to make an investigation of Allied food requirements and to report on the same at the earliest opportunity.

Mr. Hoover was then in London, where he had organized, and for three years had directed, the Commission for the Relief of Belgium. This organization, financed by government subsidies and by public charity throughout the world, was feeding some 10,000,000 Belgians and French within the German lines. This was the first Food Administration set up as a result of the war. The success with which it had carried on this difficult and delicate task of food control, both of imports and domestic production, within the military lines of an enemy had shown the rare tact and administrative ability on the part of its organizer and had made Mr. Hoover's name known throughout the world as an authority on international food matters.¹

¹The character of the work carried on by the Commission for the Relief of Belgium is little understood in this country. The following extracts from a recent editorial in the *New York Times* (September 11, 1925) under

Mr. Hoover immediately undertook the necessary investigation and prepared his report for the Council of National Defense. He arrived in this country on May 10, 1917, and

the title of "America at Her Highest," gives some idea of the work which was carried on throughout the war and for two years afterward:

The story of the Commission for Belgian Relief just published in statistical form, with a brief interpretation, makes a glorious chapter in the history of the Great War and the two years immediately following. It is an account not only of philanthropic enterprise, but also of business venture and management without parallel in history. No Argonautic legend or Arthurian romance can match this story of the succor of a whole people by an organization conceived and directed by one man—having many of the attributes of a government and yet remaining on a temporary basis, having no well-defined legal status and carrying on its gigantic work without incorporation even. This little republic of relief, it might be called, flew its own flag, issued its own passports, operated a fleet of ocean vessels, owned and worked a great number of canal boats, entered with immunity many countries, requisitioned native food supplies as well as carrying them from other countries, rationed populations, operated mills and factories and lines of transportation, and, in fact, maintained "the whole economic cycle of a nation." Was ever such an ideal state erected on the earth with no other thought than of serving humanity? Well might those who saw its ships come up out of the sea wonder if there were not an Atlantis, after all, out to the westward of Europe.

The statistical story has just been published in a Blue book that Americans should be proud to have in their libraries. It is not the climax of the story, reached in the total amount of the expenditure for the general benevolent program (\$615,237,147.27) that gives one a thrill of pride. We are becoming callous to amounts in the millions. It is the infinite care with which this vast scheme of relief was organized and administered down to the last detail, so that every one helped should have enough for bare subsistence and no more, lest some one else should suffer. It was a marvelous machine operated at an administrative expenditure of less than one-half of one per cent of the total amount of the financial program. Who the master engineer of the project was no one needs to be told, for his name is known throughout the earth, not only because of what he did for Belgium, but also because of what he did for other starving millions all the way from the North Sea to the Urals.

It is all an illustration of what such a directing mind as that of Herbert Hoover can do when left to work out its plans for human betterment without political interference and when assisted by men and women of such competence and loyalty as surrounded him in this adventure on an earth-scale for relief of the neediest.

Whatever Mr. Hoover may do in improving our own commerce and bettering commercial relations in the world today, he may have the consciousness that he has written the brightest chapter that any one man has written in the history of the war. And so far from creating a debt, other than of gratitude on the part of those whose lives he prolonged or whose children he saved, he had a surplus of over thirty millions which he left for the education of those whose lives he helped to save. This chapter might well be entitled *America in Excelsis*.

on May 19, in an announcement from the White House, President Wilson stated that upon the recommendation of the Council of National Defense he intended to appoint Mr. Hoover as United States Food Administrator to carry out the provisions of the food legislation which was already being considered by Congressional Committees and which it was then hoped would soon become a law.

The consideration of legislation which would best control our war-time food situation and enable us to give the utmost assistance to the Allies was begun before the House Committee of Agriculture about April 21, 1917. The task of framing so comprehensive a measure proved extremely complex and difficult. It was not until June 11 that Congressman Lever was able formally to introduce the so-called Food Control Bill into the House of Representatives. The House promptly passed the bill on June 23, 1917.

In the Senate, however, the measure met with determined and bitter opposition. It was not until after five weeks of continuous debate and only after many important amendments were added that the bill was passed by the upper house on July 21, 1917. Much of the Senate debate was caused by the injection of issues quite unrelated to the necessity for, and the problems of, food control. Among these was the attempt to include the prohibition issue.

Much of the debate, however, hinged on the unusual and, to some extent, revolutionary character of the legislation in relation to its injection of the government into the possible control of business and the exceptionally broad powers granted to the President.

The bill went to conference on July 25 and was reported out on August 3, 1917, with most of the Senate amendments eliminated. It was immediately agreed to in the House by a unanimous vote. Agreement on the conference report was finally reached in the Senate on August 8, 1917, by a vote of 66 to 7. The bill received the President's approval and became a law on August 10, 1917.

On the same day, August 10, the President issued an

executive order creating the United States Food Administration and appointing Herbert Hoover, United States Food Administrator.

Because of the repeated delays in Congress, the President had already authorized Mr. Hoover, in a letter dated June 12, 1917,² to inaugurate at once the food conservation work contemplated by the Administration and to mobilize such voluntary forces as he could assemble towards this end.

The control over food prices and trade practices could, of course, only be undertaken after the passage of legislation giving the President the necessary authority. However, a large amount of preliminary work was accomplished under this provisional organization before the passage of the act. This made it possible for the Food Administration to assume

²Following is the text of the letter from President Wilson:

MY DEAR MR. HOOVER:

It seems to me that the inauguration of that portion of the plan for food administration which contemplates a national mobilization of the great voluntary forces of the country which are ready to work toward saving food and eliminating waste admits of no further delay.

The approaching harvesting, the immediate necessity for wise use and saving not only in food, but in all other expenditures, the many undirected and overlapping efforts being made toward this end, all press for national direction and inspiration. While it would in many ways be desirable to wait complete legislation establishing the food administration, it appears to me that so far as voluntary effort can be assembled we should not wait any longer, and therefore I would be very glad if you would proceed in these directions at once.

The women of the nation are already earnestly seeking to do their part in this our greatest struggle for the maintenance of our national ideals, and in no direction can they so greatly assist as by enlisting in the service of the food administration and cheerfully accepting its direction and advice. By so doing they will increase the surplus of food available for our own army and for export to the Allies. To provide adequate supplies for the coming year is of absolutely vital importance to the conduct of the war, and without a very conscientious elimination of waste and very strict economy in our food consumption we cannot hope to fulfill this primary duty.

I trust, therefore, that the women of the country will not only respond to your appeal and accept the pledge to the food administration which you are proposing, but that all men also who are engaged in the personal distribution of foods will cooperate with the same earnestness and in the same spirit. I give you full authority to undertake any steps necessary for the proper organization and stimulation of their efforts.

Cordially and sincerely yours,

WOODROW WILSON

control of the food trade situation almost immediately after the measure became a law.

On the other hand, the control and regulation of vast industries under these war-time powers was pioneer work for which there were no precedents. Mr. Hoover wisely decided to proceed with some caution, testing out, so far as possible, each new step forward. On this subject he said in an address before the Chamber of Commerce of the United States at Atlantic City on September 19, 1917:

We shall find as we go on with the war and its increasing economic disruption, that first one commodity after another will need to be taken under control. We will, however, profit by experience if we lay down no hard and fast rules, but if we deal with each situation on its merits. So long as demand and supply have free play in a commodity we had best leave it alone. Our repairs to the break in normal economic control in other commodities must be designed to repair the break, not with a view to setting up new economic systems or theories.

This quotation expresses in an admirable way the philosophy which underlay the work of the Food Administration as conceived by Mr. Hoover. In an earlier statement³ he had given his conception of food administration in the form of five cardinal principles as follows:

1. That the food problem is one of wise administration and not expressed by the word "dictator" or "controller" but "Food Administrator."

2. That this administration can be carried out largely through the coordination and regulation of the existing legitimate distributive agencies of producers, distributors, and consumers.

3. The organization of the community for voluntary conservation of foodstuffs.

4. That all important positions, so far as may be, shall be filled by volunteers.

5. The independent responsibility of the Food Administration directly under the President, with the cooperation of the great and admirable organizations of the Department of Agriculture, the Department of Commerce, the Federal Trade Commission, and the Railway Executives.

³May 19, 1917.

POWERS CONFERRED BY THE FOOD CONTROL ACT

The full title of the Food Control Act was, "An Act to provide further for the national security and defense by encouraging the production, conserving the supply, and controlling the distribution of food products and fuel." The first section of the Act recited the broad purposes of the legislation, basing its enactment upon the existence of a state of war and clearly indicating that Congress intended that its activity should be limited to the duration of the war. Certain powers in the Act were unprecedented, and as a whole the language was broad and somewhat elastic. Being based on the war power of Congress, it was not confined to interstate commerce.

Space does not permit an exhaustive analysis of the Food Control Act in this volume. In brief, the Act authorized the President to create or to use agencies, to enter into voluntary agreements, to accept services without compensation, and to coordinate the activities of all departments and agencies of the government. It provided powers by which the President could bring under license all persons and firms engaged in the importation, manufacture, storage, mining, or distribution of any necessities as defined in the Act, exempting only farmers, common carriers, and retailers whose gross sales did not exceed \$100,000 per annum. The President was authorized to define fair practices and to issue regulations pertaining thereto. Severe punishment was provided for those who either engaged in business without a license when required or who failed to abide by the fair practice regulations. The Act made unlawful, and provided drastic punishment for, any wilful acts tending to limit production or to lessen the supply of food or which would control or handle unfairly any necessities. Hoarding of necessities (except by producers) was strictly forbidden, with drastic punishment provided. The President was further authorized to requisition necessities; to take over and operate manufacturing plants and mines; to control boards of trade;

to purchase, store, and to sell for cash certain specified foodstuffs; to fix a reasonable guaranteed price for wheat to be not less than \$2 per bushel for the 1918 crop. The Act carried an appropriation of \$150,000,000 which made possible the maintenance of the guaranteed price for wheat.

In practice, the control exercised by the Food Administration rested chiefly on three powers, namely: (1) to enter into voluntary agreements, (2) to license and prescribe regulations for licenses, and (3) to buy and sell certain foodstuffs.

The power to enter into voluntary agreements, provided in Section 2 of the Act, enabled the Food Administrator, acting by direction of the President, to make agreements with producers, manufacturers, and distributors which, if made between individuals, would have constituted a violation of the anti-trust laws. In those trades not composed of too diverse elements it was often possible to secure unanimous or practically unanimous consent with regard to certain measures, and this resulted in greatly extending the powers which were granted in the Act itself.

The Act gave no authority to fix prices of food products either raw or ready for consumption, with the single exception of wheat. For this latter commodity the President was authorized to determine and fix a guaranteed price to the producer for the purpose of stimulating production, and Congress itself provided that for the 1918 crop this guaranteed price was to be not less than \$2 per bushel. No authority to fix the price of any other commodity was contained in the Act.

The President was authorized (Section 11) to purchase, to store, and to sell for cash at reasonable prices, a specified list of commodities, namely: wheat, flour, meal, beans, and potatoes. He was also given the authority to requisition "food, feeds, fuels, and other supplies necessary to the support of the Army or the maintenance of the Navy or any other public use connected with the common defense." An opinion by the Attorney General (August 31, 1918) ex-

pressed the belief that this power to requisition included the lesser power to buy and sell these commodities, provided there was a reasonable connection between such acts and the common defense. This power was utilized by the Food Administration in its purchases of sugar by the Sugar Equalization Board and for the purchase of coarse grains by the Food Administration Grain Corporation. There was, however, at least one fundamental physical difficulty in extending this method of control to any large number of commodities. The Food Control Act had provided a capital of only \$150,000,000, and this was far too small to carry on the operations of the Grain Corporation which at one time had to borrow more than \$385,000,000 from outside commercial sources. There was, therefore, no possibility of extending this method of control to such expensive products as meats and fats.

This lack of capital made it impossible for the Food Administration to attempt any stabilization of the hog or pork market through commercial operations. It was necessary, therefore, to find some other means of price control, if any assurances were to be given to hog producers.

III

THE PROBLEM

Production of hogs stimulated during early years of the war. Unfavorable conditions for hog industry in 1917. Recommendations of Live Stock and Swine Growers associations. Cost of producing hogs. Committee appointed to determine cost. Committee report. Statement of Food Administration policy.

SHORTLY after the beginning of the World War in 1914 there was a marked increase in the demand for pork products in this country. Prices increased and production was stimulated. The number of hogs on farms increased from less than 59,000,000 at the beginning of 1914 to 67,766,000 on January 1, 1916.¹ In that year high prices induced particularly heavy marketing, resulting in a slaughter of over 70,000,000 hogs during the year. This same tendency to market hogs at the prevailing high prices continued during the first half of 1917 and resulted in serious inroads into the breeding stock of the country. At the time of the establishment of the Food Administration in August, 1917, it was estimated that the number of stock hogs in the country had fallen below 60,000,000 and, with the urgent request of the Allies for fats, this situation became serious indeed.

Conditions in the hog industry during 1916 and the early part of 1917 had been far from favorable for the expansion of this industry. The market speculation in the spring of 1917 which had carried wheat prices to hitherto unknown levels had also raised the price of corn and other grains which formed the basic feed for hogs. The price of hogs and pork had not risen to the same extent. The ratio between the farm price of corn in the leading corn and hog states and the Chicago price of hogs fell to 8.6 in August, 1917.² This

¹See table, page 22.

²See table on page 188, and Figure 14, page 192.

was the lowest point which the ratio had reached in any month for several years. This ratio meant that according to the current farm prices in the Corn Belt it took only 8.6 bushels of corn to equal the price of 100 pounds of live hogs at Chicago. Since under the best of conditions it is estimated that from 11 to 12 bushels of corn are required to produce 100 pounds of live hog, it is clear that it was much more profitable for the farmer to sell his corn than to feed it to hogs. That was exactly what was happening, and the stock of hogs on the farms was being rapidly depleted.

This situation was clearly recognized by Mr. Hoover shortly after the creation of the Food Administration. Early in September, 1917, a Committee of the American National Live Stock Association was called to Washington jointly by Mr. Hoover and Secretary Houston of the Department of Agriculture. This committee pointed out the marked tendency at that time to market breeding sows and to reduce the number bred. They stated that in their opinion no considerable increase in the number of hogs could be obtained unless growers could be assured that, when their product was ready for market, it would sell for enough fully to cover the cost of production and a fair profit.

These recommendations were supported and extended by resolutions adopted by the National Swine Growers Association at a meeting in Omaha and by representative swine growers of the Corn Belt in a convention at Waterloo, Iowa. Mr. Hoover was urged to determine the cost of hog production and to take such steps as he could to establish a price at the principal markets to insure a remunerative return to the grower over a period of time.

It must be remembered that the Food Administration was without authority to fix the prices either of hogs or of pork products and was without either authority or capital to engage in buying or selling these products. With these limited powers, it was a difficult question indeed as to how the Administration could effectually establish a price for hogs.

AMERICAN PORK PRODUCTION

COST OF PRODUCING HOGS

During the month of September and the early part of October, 1917, numerous conferences were held with representatives of the growers, the packers, and the Allied buyers of pork products. On October 16, 1917, Mr. Hoover wrote to Secretary Houston stating that as a result of these conferences he believed it would be possible to get the packers to maintain a definite price for hogs based on a relation to the price of corn. He asked if the Department of Agriculture would officially recommend such a relation which could be used as the basis of a minimum price. The Department of Agriculture was disinclined to take any responsibility and did not feel that it could make such recommendations.

However, backed by the definite recommendations by representatives of thousands of swine growers, Mr. Hoover proceeded to carry his plans still further. On October 19, 1917, he appointed a Committee to Investigate the Cost of Producing Hogs. This committee consisted of the following seven men: John M. Evvard, chairman, Ames, Iowa; Lawrence P. Funk, Bloomington, Illinois; N. H. Gentry, Sedalia, Missouri; W. A. Williams, Marlow, Oklahoma; J. H. Skinner, Lafayette, Indiana; Tait Butler, Memphis, Tennessee; and E. W. Burdie, Herman, Nebraska. This committee met in Chicago and reported their findings on October 27, 1917.³

³The following extracts from this report show the character of the recommendations made by the committee:

There is a marked feeling of uncertainty evident on the part of the producer. This is manifest in the large number of unfinished hogs now going to market. There is a big tendency to market potential breeding stock—breeding stock that is essential to further increase. The feeling of unrest and uncertainty on the part of the producer is greatly accentuated by the recent market drop in the price of live hogs. First and above all, confidence should be instilled so that producers will feel that when their hogs are finished for market, they will sell at a fair price—at least sufficient to cover the actual cost of production and a fair profit.

In all of our deliberations we have borne steadfastly in mind the world-wide problem of supplying ourselves and our Allies with meats and fats, and particularly have we kept uppermost in our thoughts the consumer. The consumer's and the producer's interests in these United

This committee stated that it was their firm belief that definite stimulative action was immediately necessary "if the pork supply of the Nation and the Nation's Allies is to be sufficient to meet demands." They reviewed the feeling of unrest on the part of the producers and the reasons for it. They stated that according to their investigation it required the equivalent value of 12 bushels of Number 2 corn to produce 100 pounds of average live hog under average farm conditions. Since the number of hogs on farms at

States rest on a common foundation of laws, customs, economic relationships, and social life.

We believe that the sentiment of the swine producer is overwhelmingly opposed to any unjust or profiteering arrangement that will be hurtful to the great rank and file of consuming interests. And further, that all the producer asks is a sensibly sound, economic arrangement whereby he may secure for his efforts expended in the production of pork simply the cost of production plus a fair profit. In other words, a price for his hogs that shall meet our President's definition of a just price.

We believe that under normal conditions the ordinary laws of supply and demand should rule, but in this emergency situation the results desired come too slowly, and may be out of proportion to the urgent demands of the moment. Therefore, definite, artificial stimulus and regulation are necessary in order to secure the products needed; and to insure a fair and just relationship among producers, packers, and consumers.

The Commission finds that the approximate, equivalent value of 12 bushels of Number 2 corn is necessary to produce 100 pounds of average live hog under average farm conditions.

While hog production for the 10 years ending 1916 has been maintained on a ratio of 11.67 bushels of corn to 100 pounds of hog, we believe, when all the losses are taken into account, that it is doubtful whether there has been a profit on the business with this ratio on the average.

The normal number of hogs in the United States is approximately 65,000,000 as contrasted with the present supply of not more than 60,000,000. To bring swine production back to normal, the Commission believes that it will require a stimulative market which will pay at least the equivalent of 13.3 bushels of corn for 100 pounds of average hog.

We further believe that the equivalent of at least 14.3 bushels of corn must be paid for every 100 pounds of average hog in order that production may be stimulated 15% above the normal.

The best emergency method of stabilizing the market and preventing the premature marketing of light, unfinished pigs and breeding stock, we firmly believe, is to establish immediately a minimum emergency price for good to select butcher hogs of \$16 per 100 pounds on the Chicago market. For the purpose of immediately stimulating production of swine for the next year, we recommend that a ratio be immediately established and announced at once, same to go into effect February 1, 1918.

that time was considerably below normal, they expressed the belief that to bring swine production back to normal would require a stimulative market which would pay the equivalent value of 13.3 bushels of corn for 100 pounds of average hog. To stimulate production 15% above normal would require, in their opinion, an equivalent value of 14.3 bushels of corn.

The committee further stated that in their opinion the best emergency method of stabilizing the market was to establish immediately a minimum emergency price for good to select butcher hogs of \$16 per 100 pounds on the Chicago market and that a ratio to the price of corn be immediately established and announced at once, to go into effect by February 1, 1918.

The three-year, 1911-1913, pre-war average price of hogs at Chicago had been \$7.53 per 100 pounds. The price recommended, therefore, represented an increase of over 112% compared with the average. For the same period there had been an increase in the "all commodity" wholesale price index of the Department of Labor of only 88%, showing that this price gave hogs a relatively high purchasing power.

The committee also recommended that price differentials be established between different grades and different markets by a committee composed of representative packers, live stock commission men, and producers. They also recommended that in future determination of the cost of producing hogs in terms of corn it was economically unsound to use only the price of corn in the month in which the hog was marketed. They recommended that a weighted average price be determined, based on the relative amounts of corn consumed by the hog or its antecedents during the preceding 12 months.

FOOD ADMINISTRATION POLICY

The Food Administration gave careful consideration to this report. It was desirable to secure not only a return to normal in hog production but also an increase above this

level, if possible. However, further consultation with the Allied buyers indicated that it would be physically impossible to attempt as wide a margin as 14 bushels of corn to 100 pounds of live hog. The Allied buyers were unwilling to make any guaranty which would extend beyond the purchase of a definite quantity of pork products. Without a definite guaranty backed by money from either the United States or the Allied treasuries it was not possible to maintain such a stimulative ratio for any long period of time. The packers were finally persuaded to attempt to maintain a price which would approximate a 13-to-1 ratio. It was felt that in reversing the adverse ratio of 8 to 1 then ruling to a ratio of undoubted profit, the primary difficulty of decreasing production would be overcome and a direct stimulus to production would be given. This ratio of 13 to 1 was to be used simply as a guide, and was to be based on the farm price of corn in the leading corn and hog states and the Chicago price for the average of packers' droves of hogs.

Based on the results of these conferences a statement was issued, at Mr. Hoover's direction, by Joseph P. Cotton, Chief of the United States Food Administration Meat Division, which formulated the basis of the Food Administration policy toward hog prices during the succeeding months. This statement, issued on November 3, 1917, was as follows:

The main purposes of the Food Administration as to hogs are four: To see that the producer at all times can count on a fair price for his hogs so that it will be profitable to him; to see that the farmer increases the number of hogs bred; to limit the profits of the packer and the middleman; and to eliminate speculation.

All these purposes are necessary because we must have more hogs, so that the ultimate consumer shall at all times get an adequate supply of hogs at the lowest feasible price.

We shall establish rigid control of the packer. Fair prices to the farmer for his hogs, we believe, will be brought about by the full control which the Food Administration has over the buying of the Allies, our Army and Navy, the Red Cross, the Belgian Relief, and the neutrals, which together constitute a considerable factor in the market.

The first step is to stop the sudden break in prices paid for hogs

at the central markets. These prices must become stable so that the farmer knows where he stands, and will feel justified in increasing hogs for next winter. The prices so far as we can affect them will not go below a minimum of about \$15.50 per hundred-weight for the average of the packers' droves on the Chicago market until further notice.

We have had, and shall have, the advice of a board composed of practical hog growers and experts. That board advises that the best yardstick to measure the cost of production of the hog is the cost of corn. The board further advises that the ratio of corn price to hog price on the average over a series of years has been about 12 to 1 (or a little less). In the past, when the ratio has gone lower than 12 to 1, the stock of hogs in the country has decreased. When it was higher than 12, the hogs have increased. That board has given its judgment that to bring the stock of hogs back to normal under present conditions the ratio should be about 13. Therefore, as to the hogs farrowed next spring, we will try to stabilize the price so that the farmer can count on getting, for each 100 pounds of hog ready for market, 13 times the average cost per bushel of the corn fed into the hogs.

Let there be no misunderstanding of this statement. It is not a guaranty backed by money. It is not a promise by the packers. It is a statement of the intention and policy of the Food Administration which means to do justice to the farmer.

The minimum price of \$15.50 for the average of packers' droves as announced by the Food Administration was roughly equivalent to the price of \$16 per hundred for good to select butcher hogs as recommended by the committee on the cost of production. As pointed out above, this price represented a relatively high premium to the farmer over pre-war—an increase of more than 100%, which was considerably greater than the rise in the general level of prices at that time.

IV

ASSURING STABLE HOG PRICES

Doubts expressed as to practicability of measures proposed. Principles of control through Allied, Military, and Naval purchases. Voluntary agreements with buyers. Agreements with packers. Coordination of Allied and Government purchases. Allied buying organization. Method of procedure. Method of allotment of purchases to packers. Establishment of Agricultural Advisory Committee. Control of packers' margins. License regulations. Method of limiting profits. Packers' profits. Protest by packers. Mr. Hoover's reply.

THE announcement of a policy by the Food Administration relative to hog prices was the first step in the solution of the problem of increased pork supplies. But the mere announcement of a policy was not sufficient. The question was, did the Administration have the power to maintain that policy, and how was it to be done? Grave doubts had been expressed, both as to the advisability and the practicability of such measures. In a letter to Mr. Hoover, dated October 26, 1917, the Secretary of Agriculture stated that in the opinion of officers of that Department it would be unwise to take such action. Among the reasons assigned were: (1) the difficulty of determining a proper relation between the price of corn and that of hogs; (2) the fact that in some sections hogs were grown principally on other feeds; (3) that the close interdependence between hogs, beef cattle, sheep, and other meat animals made it impracticable to attempt to regulate hog prices independently of the prices of other animals.

Mr. Hoover was undaunted by these suggestions of possible disaster. He must, in some way, meet the serious situation in regard to fat supplies, and he realized that if some action were not taken it might mean serious consequences in the whole war. He had seen the results of an

undersupply of fats upon the health and morale of the people in Belgium, and he knew how essential it was to maintain at least the minimum ration. Under such conditions, some chances must be taken, and Mr. Hoover had abiding confidence in the integrity and patriotism of the great bulk of American farmers and business men. He had the courage to undertake a project that might possibly fail, and which, as we shall see, brought infinite worry and anxiety. There were times when it almost seemed that the predictions of its opponents were to come true. But these were tided over, and its final accomplishment contributed in no small way to the successful outcome of the war.

PRINCIPLES OF CONTROL THROUGH ALLIED, MILITARY, AND NAVAL PURCHASES

The control of hog prices, as outlined in the statement relative to the Food Administration policy, depended, in the first instance, upon the authority granted in Section 2 of the Food Control Act, for the President "to enter into voluntary arrangements or agreements." Mr. Hoover first arranged with the representatives of the Allied buyers in this country—namely, the Allied Provisions Export Commission—that they would submit their orders for pork products to the Food Administration to be allotted by it to such packers as were able and desired to participate in the export trade and that the Allies would agree to pay such prices as the Food Administration indicated; it being understood that these prices would be high enough to enable the packers to maintain the minimum prices for hogs. Similar arrangements were made with the purchasing departments of the United States Army, the Navy, the Marine Corps, the Commission for the Relief of Belgium, and the American Red Cross. The requirements for these organizations amounted to between 30% and 40% of the total pork products produced under federal inspection¹ each month. It was be-

¹According to the meat inspection laws of the United States, the only



Photograph from U. S. Department of Agriculture.

Figure 3: Official inspection of carcasses by the Bureau of Animal Industry, United States Department of Agriculture. No meat can enter into interstate or foreign trade which has not been passed by Government inspectors as coming from animals free from all disease.



Figure 4: Killing floor of a modern American packing house. Carcasses are handled entirely by machinery and provisions are made for saving and utilizing all by-products.

lieved that this formed a large enough proportion of the total trade to control the market.

Mr. Hoover next entered into voluntary agreements with the meat packers, both large and small, by which they undertook to maintain the minimum price for hogs at the principal markets, with the understanding that they were to have the support of Allied and government buying as outlined above. Contact with the packing-house industry was maintained through the so-called Packers' Committee, of which Thomas E. Wilson was chairman.

Additional authority to enforce these agreements was provided through arrangements with the War Trade Board, by which all applications for export licenses for pork and pork products to Europe had to have attached a certificate indicating that the products described had been sold at a price approved by the Food Administration.

In all of these negotiations it was necessary to provide that the prices paid for these products should be reflected to the farmer in the price for hogs and that only a legitimate profit should be taken by the packers. As pointed out in later paragraphs, this was accomplished by bringing the packers under strict license regulation by the Food Administration.

Particular pains were taken by the Food Administration to make it clear that the minimum price named for hogs was not a guaranty backed by money in the same sense that the price of wheat was guaranteed and supported by the Food Administration Grain Corporation. It was stated that this was a *policy* of the Food Administration and that the minimum price would be maintained *so far as the control of Allied and government buying would permit*.

meat or meat products which can enter into interstate commerce and hence into the export trade is that which has been passed by federal inspectors as coming from animals free from disease. In the case of pork and lard, these so-called federal-inspected products form from 60% to 65% of the estimated total pork and lard production. The remaining 35% to 40% represents country slaughter on farms and local slaughter for sale within the state in which it is produced.

COORDINATION OF ALLIED AND GOVERNMENT PURCHASES

To carry out this plan and also to prevent demoralization in the markets for these and other food products, the Food Administration set up a Division of Coordination of Purchase² which acted as a clearing-house for all Allied and government purchases.

ALLIED BUYING ORGANIZATION

Prior to our entrance into the war, the Allied governments, particularly Great Britain, France, and Italy, had entered into a series of agreements by which the buying of all supplies for these countries, as well as for many neutrals, was placed in single hands, thus eliminating Inter-Allied competition in the world's markets. Among the agencies

²The Division of Coordination of Purchase was created by the Food Administration on October 24, 1917, for the purpose of coordinating "the purchases by the Allies and the Food Administration of such important food supplies as those mentioned in the President's Proclamation of October 8, 1917, and to cooperate with the Army, Navy, and other Government departments in an endeavor to coordinate, so far as practicable, their food supplies." The Food Section of the War Industries Board was transferred to the Food Administration at this time and became a part of the new division.

The first chief of the Division of Coordination of Purchase was W. V. S. Thorne, who resigned on January 9, 1918, and whose place was taken by E. O. Heyl. Mr. Heyl resigned in the early part of March, 1918, and Frederic S. Snyder was made chief of the Division and retained this position until the close of the Administration. Each of these men served as a volunteer without remuneration. Their positions were among the most important in the Food Administration because of the vast volume of transactions, averaging some \$200,000,000 per month, which was cleared through this organization.

In addition to the Division of Coordination of Purchase there was established by executive order of the President, a Food Purchase Board, consisting of the Paymaster General of the Navy, chairman; the Quartermaster General of the Army; a representative of the Federal Trade Commission; and a representative of the Food Administration. The Food Administration representative on this Board was W. V. S. Thorne up to his resignation in January, 1918, and then Frederic S. Snyder, of Boston.

The function of the Food Purchase Board was to decide upon which commodities should be purchased by allotment and which should be allowed an open market. When a commodity was once placed on an allotment basis by the Food Purchase Board, the actual machinery of allotment was handled by the Division of Coordination of Purchase of the Food Administration. In many cases, as with meats, the details of the allotment were handled by the respective commodity division of the Food Administration.

established under these agreements was the "Meats and Fats Executive," located in London, which had charge of buying all meats, animal fats, and dairy products for the Allies.

In order to facilitate these purchases, the Meats and Fats Executive established in the United States an organization known as the Allied Provisions Export Commission, with head offices at 165 Broadway, New York City. The Allied Provisions Export Commission was known in the trade as APEC, from the initials of its name, and will frequently be referred to in the succeeding pages under this shorter title. This organization acted under orders from the London office and transacted all business in this country, including the placing of orders, routing to ports, arrangements for shipping, and so forth. The payments for the commodities were made directly by each country after the goods had been definitely allocated by the commission.

METHOD OF PROCEDURE

The method of procedure worked out for pork products by the Division of Coordination of Purchase was briefly as follows:

On or before the fifteenth day of each month, each buyer, including APEC, the Army, Navy, Marine Corps, Belgian Relief, and the Red Cross, was required to furnish to the Division of Coordination of Purchase of the United States Food Administration, a statement showing its *actual requirements* for the following calendar month and for which the buyer was ready to contract for shipments to be made during that calendar month.

The Division of Coordination of Purchase tabulated these actual requirements and arranged to have them allotted among the packers who were able and who desired to participate in these government orders.

After the allotments were made and accepted, each buyer was tendered through the Division of Coordination of Purchase, the quantities covering his approved requirements.

The buyer was required to give an immediate acceptance or refusal. If accepted, the buyer confirmed the order, furnished shipping instructions, and carried on other transactions with the seller direct.

The prices which were to apply to shipments during the succeeding month were ascertained at a conference of the interested parties held in the office of the Meat Division of the Food Administration on or about the 25th of each preceding month.

Each buyer was required to furnish, in addition, a monthly statement showing his *estimated requirements* for the next five calendar months. This permitted the Food Administration to make tentative plans covering the pork situation in the succeeding months.

METHODS OF ALLOTMENT OF PURCHASES TO PACKERS

After the actual requirements for a given month had been submitted, by each of the buying agencies, to the Division of Coordination of Purchase, these were tabulated and forwarded to the Meat Division of the Food Administration, which had established offices in Chicago³ for the purpose of dealing more effectively with the packing houses, most of

³In conformity with the general plan of organization of the Food Administration, there was formed a Meat Division in the fall of 1917. Joseph P. Cotton, of New York, was made the first chief of this division and served in that capacity until July, 1918. At that time he was sent to Europe as the Food Administration representative on the Inter-Allied Food Council in London.

After Mr. Cotton's departure, Frederic S. Snyder, of Boston, a practical packer and provision merchant, was made acting chief and later chief of the Meat Division. Both of these men served as volunteers throughout the duration of the war, and much of the success of the price stabilization and other activities was due to the untiring efforts of these gentlemen. At the earnest solicitation of Mr. Hoover, Mr. Snyder was prevailed upon to continue as head of the Meat Division during the strenuous period of the Armistice, when, among other things, his efforts in persuading the packers to maintain their agreement was of inestimable value.

The Chicago office of the Meat Division was in charge of Dr. E. Dana Durand, of Minneapolis, until the middle of 1918. E. L. Roy, of Chicago, formerly of the packing firm of Cross, Roy and Saunders, was head of the meat purchase section of the Meat Division in the Chicago office and had charge of the actual allotment of government and foreign orders to the packers.

which are located in the Middle West. The Meat Division then proceeded to allot these requirements among the various packers who desired to participate. For the foreign orders, these allotments were made on a different basis, according to whether the product was for a Continental country of Europe or for Great Britain. The reason for this was that the British market required a special product, cut and cured differently from either that for our domestic market or for the Continental trade. Many packers who had not been exporting to Great Britain were not in a position to meet these requirements.

The general basis of allotment in the case of all pork meats exported to the Continent and for all lard, whether to the Continent or Great Britain, was the average number of hogs killed during the three years 1915 to 1917. New concerns were given an allotment on the basis of their 1917 kill. The amount of business allotted to each packer was based on the combined orders from all countries concerned and not a proportion of each separate country's business.

The allotment of pork meat exports to Great Britain was based on the relative volume of business of the several packers in the English market during 1916.

Altogether there were some 50 different packing houses which shared in the allotment of this foreign business. In the case of most pork products, the five large packers, Armour and Company, Swift and Company, Cudahy and Company, Morris and Company, and Wilson and Company, did between 40% and 50% of the total.

In addition to these definite agreements with the trade, the Food Administration was in constant touch with producers through various committees and representatives. Early in 1918 this contact was more firmly established through the appointment, jointly by Mr. Hoover and Secretary Houston, of an Agricultural Advisory Committee under the Chairmanship of the Hon. H. C. Stuart, former Governor of Virginia.⁴

⁴The membership of the Agricultural Advisory Committee was as fol-

This committee was frequently called upon to advise the Administration regarding problems which affected the farmer or the farmer's interests. The committee kept in touch particularly with the hog problems, and at a later time it formed a Live Stock Subcommittee to give more specific attention to this and related problems. The committee also frequently requested other representatives to sit with them in the consideration of special problems.

It was through these agreements and contacts that the Food Administration proposed to stimulate and stabilize the hog and pork industry. It was an enormous undertaking to attempt to substitute an artificial control of this kind for the normal balance maintained by the laws of supply and demand. But these laws had been entirely disrupted by the extraordinary conditions of war, and it was necessary to take some action if we were to meet the requirements of our army and the Allies.

CONTROL OF PACKERS' MARGINS

One of the fundamental tenets of the Food Administration was to prevent, as far as possible, any profiteering in the manufacturing or distributing trades connected with the food industry of the country. It was particularly important that profiteering in the packing industry should be prevented, first, because of the age-long strife between the packer and the live stock producer. The farmers were being asked to increase their production for patriotic reasons.

Iowa: C. S. Barrett, Union City, Georgia; E. S. Brigham, St. Albans, Vermont; W. L. Brown, Kingman, Kansas; Milo D. Campbell, Coldwater, Michigan; D. R. Coker, Hartsville, South Carolina; W. R. Dodson, Baton Rouge, Louisiana; Eugene Funk, Bloomington, Illinois; N. H. Gentry, Sedalia, Missouri; W. C. Gordon, Humboldt, Tennessee; John Grattan, Broomfield, Colorado; J. N. Hagan, Bismarck, North Dakota; F. J. Hagenbarth, Spencer, Idaho; W. W. Harrah, Pendleton, Oregon; C. W. Hunt, Logan, Iowa; H. W. Jeffers, Plainsboro, New Jersey; Isaac Lincoln, Aberdeen, South Dakota; D. O. Mahoney, Viroqua, Wisconsin; D. M. Massie, Chillicothe, Ohio; W. F. Pratt, Batavia, New York; G. C. Roeding, Fresno, California; M. Sanson, Fort Worth, Texas; Henry C. Stuart, Elk Garden, Virginia; C. J. Tyson, Floradale, Pennsylvania; Oliver Wilson, Peoria, Illinois.

If they felt that an undue proportion of profit was going to the packer, it would discourage much of this effort. In the second place, the increase in the price paid to the producer represented a very severe tax on the consumer if it were passed along with only the barest margin of profit to the middlemen. Any undue increase in these profits would cause much serious suffering by consumers.

The Food Control Act of August 10, 1917, authorized the President, whenever he found it essential, "to license the importation, manufacture, storage, mining, or distribution of any necessities." He was also authorized to issue regulations for such licensees and among other things empowered to determine "what is a just, reasonable, nondiscriminatory, and fair storage charge, commission, profit, or practice." Any one who engaged in any licensed enterprise without a license, or who wilfully refused to abide by the regulations prescribed, was subject, upon conviction, to a fine not to exceed \$5,000 or to imprisonment not to exceed two years, or both.

Under the Proclamation of the President of October 8, 1917, meat packers, among others, were required to secure a license from the Food Administration as a condition of doing business after November 1, 1917. Among the regulations prescribed for licensed meat packers were those designed to limit their profits to a fair and reasonable return.

The difficulties in framing such regulations, however, were very great. The cost of finished meat products bears a much smaller relation to the price of the raw product (the live animal) than is the case, for instance, in flour or sugar. Hence it was impossible to base profit regulations on the price paid to the producer for the raw product. The great variety of the packers' products made it impossible to determine the exact proportion of the total cost to the finished product or to prescribe a margin above cost as was done with many other manufacturers.

The only workable alternative plan seemed to be to prescribe a maximum annual percentage of return on the capi-

tal employed in the business, together with a limitation of the percentage of profit on total annual sales. Even this method was by no means simple of application. In the first place, there were two general classes of packers in the United States, both of which were necessary and essential to the proper handling of the meat trade. These were the small packers and the large packers, the so-called "big five." Because of the difference in the volume and the refinement of their businesses these two classes could not be treated alike with regard to profit regulations.

In the second place, the large packers, at least, produced and handled a large number of non-food commodities, such as hides, leathers, hair, soap, and so forth, which by law were immune from license or regulation by the Food Administration.

On November 24, 1917, the Meat Division of the Food Administration issued the following statement with regard to packers' profits:

There are in this country hundreds of packing concerns, many of them small, which slaughter live stock and sell meat, but are not large enough or strong enough to carry great stocks, nor do they carry their manufacturing processes in connection with live stock products to great refinements.

There are, however, given concerns relatively much larger, which have many establishments, storage plants, branch houses, cars, and facilities for nation-wide distribution. These large packers do carry out, to great refinements, manufacturing processes in live stock products and allied products. Not only is their business more diversified and more stable than the small packers, but they carry, at all times, large stocks.

It is essential that the smaller packer shall continue his operations to the fullest extent, and his earnings, in view of his risk, must be liberal. The system of regulation which restricts his earnings must be simple and easy to apply. After investigation and consideration, it has been determined to permit the packers (except the five large packers) to earn an annual profit equal to 2.5% of their total annual sales. This profit is to be net after expenses are paid; interest on borrowed money will be treated as an expense, but not federal taxes, which the packer must pay himself out of his profits.

For the five large packers, in addition to the restriction of profits to 2.5% on sales, there was the further restriction that these profits should not exceed 9% on the average capital required in that part of their business concerned with live stock slaughtering and meats, namely, Class 1, as divided by the license regulations. On their so-called specialty business (Class 2), including mostly food products other than meats, the packers' profits were limited to a maximum of 15% on their investment. Non-food products could not be regulated by the Food Administration. Supervision over the accounting of the packers was to be exercised by the Federal Trade Commission, which was to see that a proper distribution of costs and transfer value was made between products subject to and those not subject to Food Administration control.

The basis of these profit regulations was the same as for other classes of business under the control of the Food Administration, namely, that the maximum percentage of profit should be no greater than the pre-war average earnings.

This limitation of 9%, applied to the big packers, meant that they would be limited to a profit of less than 1 cent per pound on the products handled, according to the best estimates before the Food Administration at that time, which were, that the five big packers would in 1918 kill some 12,000,000,000 pounds of animals, live weight, resulting in about 7,000,000,000 pounds of edible products. A profit of 1 cent per pound would amount to \$70,000,000. It was estimated that the total investment of these packers in their Class 1 business would not exceed \$750,000,000, thus permitting, on a 9% basis, a total profit of \$67,500,000, or less.

According to statements filed with the Food Administration by the Federal Trade Commission and based upon their audit of the packers' books, the total profits of the five big packers on their Class 1 business for the first year of control, November 1, 1917, to November 1, 1918, amounted to only \$40,594,935. The total average investment of the five packers for this period was given as \$714,187,204, thus

making their rate of profit on investment only 5.6% instead of the 9% allowed under the regulations. The total gross sales of the five packers in their Class 1 business totaled \$2,434,113,430 and their net profits were accordingly only 1.6% of gross sales compared with 2.5% permitted under the regulations.

In connection with any consideration of the profit limitations imposed on the packers, it must be remembered that this industry constituted a vital link in the food strategy of the war. These packers were handling the bulk of one of the prime food necessities for ourselves and the Allies. It was necessary that they should carry large reserve stocks to meet emergencies. These stocks were much larger and represented much greater money value than normally, hence greatly increasing their risks. Furthermore, the program of stimulation of production, particularly of pork, and the maintenance of a stable minimum price for hogs, involved the packers not only in larger stocks but in much greater risks than they would normally assume. There was no money from the Government Treasury which could be used to reimburse the packers for any losses they might sustain in maintaining the price of hogs at the request of the Food Administration. Regulations of profits in advance had to take these facts into account and could not be so severe as to discourage the rendition of this service or of their cooperation.

As a matter of fact, serious protests were raised by the large packers regarding the conditions imposed upon them. In reply to these protests made by the packers in a body, Mr. Hoover addressed a letter to Thomas E. Wilson on December 1, 1917, outlining the position taken by the Food Administrator. In this letter he said:

I understand that the proposals of yourself and Messrs. Armour, Swift, and Cudahy, are that the rule of 9% maximum profits is unjust to the packers; that a limitation on profits will undermine borrowing power, and that it is destructive to the best interest of the country because it will be impossible for the packers

to finance necessary extensions of plant out of this profit and that capital is not available during the war for such expansions at this rate of earnings; and that the result will be a failure of the five large firms to meet the continued expansion of service demanded by growth of population and world demands. I also understand that you wish it made clear to me that failure on the part of the packers to meet such needed expansion will rest upon myself, if I adhere to this ruling.

I am glad, as always, to have frank presentation of these complex questions. I understand that pre-war profits averaged somewhat less than 9%, and I understand that the bulk of the plants have been built out of the profits. As I stated today, the proposition of increasing earnings when the country is at war, is, I feel, distasteful to us all, as a toll from the country's losses. I also feel that a request to increase charges to the public in order to provide equipment for private enterprise is one that raises serious issues of public policy which are beyond my sphere to determine but that must necessarily raise serious public opposition.

I have every desire to meet an emergency situation with every sense of justice, and I therefore repeat my proposal that if the packers have carried out to the fullest extent such necessary improvements in the food plant from profits as hitherto and if expansion beyond this is deemed by the government to be necessary and if the packers are absolutely unable to find from their own resources or to make capital issues therefor, then the Administration will endeavor to secure it, or alternatively adjust profits by some measure to meet the situation.

This service was never called for by the packers and the 9% rule was maintained, with the result, as stated, that it actually worked out considerably below this maximum.

Attention has been called to the fact that the plan for stabilizing the price of hogs depended upon the cooperation of the packers as one link in the chain. It is only fair to state that throughout the whole period of stabilization, the Food Administration had full and fine cooperation from this industry. There were many times when the packers, both large and small, were carrying excessive stocks of high-priced products at great risk to themselves. From the point of view of sound business operations alone the packers might have been warranted in breaking away from their voluntary agreement. But, urged by the Food Administration, they

continued to maintain hog prices. In doing this they, together with thousands of other business concerns, acted from patriotic motives in the common interest of winning the war. This was a service of which American business may well be proud.

V

HOW STABILIZATION AFFECTED PRICES AND PRODUCTION

Objects desired. Production increased. Larger exports promoted by conservation. Increase in proportion of pork meats exported. Pork exports to the Western Allies. Hog prices maintained. Data on pork production and trade.

THE objects which it was desired to obtain by the Food Administration policy towards hogs were: (1) to increase the number of hogs in the country; (2) to increase the export of pork products to the Allies; (3) to stabilize prices so that producers could be assured of a reasonable return for their efforts; (4) to control the margin of profits to packers and distributors in order to protect consumers.

In carrying out these measures and particularly in the attempt to increase the number of hogs, the Food Administration had the hearty support and cooperation of the U. S. Department of Agriculture and of various state organizations, including the State Departments of Agriculture, the Agricultural Colleges and Experiment Stations, the State Councils of National Defense, and so forth. The propaganda for increased production carried on by these organizations had a very material effect in increasing the number of animals bred.

PRODUCTION INCREASED

On September 1, 1917, the U. S. Department of Agriculture, in a special survey, estimated that there were only 60,218,000 stock hogs on farms in the United States. This was nearly 5,500,000 less than the number at the same date in the preceding year. By January 1, 1918, however, it was estimated that the total number of all hogs on farms

amounted to 70,978,000, and a year later these had increased to 74,584,000, or by far the largest hog population ever recorded for the United States.¹

Not only was there an increase in the number of hogs on the farms, but there was, at the same time, a very great increase in the number slaughtered and in the production of pork products. In 1918 the total production of pork and lard under federal inspection—which is the only kind that can enter into the export trade—amounted to 6,798,000,000 pounds, or 1,776,000,000 pounds more than the corresponding average pre-war production and nearly 500,000,000 pounds more than the preceding maximum production for any year. In 1919 there was a further increase in the production of inspected pork and lard bringing the total to 6,894,000,000 pounds, or 37% more than the pre-war average.²

It is clear, therefore, that the methods adopted by the Food Administration, aided by the cooperation of other agencies, accomplished the first object of the program, namely, an increase in production.

LARGER EXPORTS PROMOTED BY CONSERVATION

Exports of pork increased even faster than production. During this same period, exports of pork and lard rose from the pre-war average of 930,000,000 pounds to 2,251,000,000 in 1918, and 2,638,000,000 pounds in 1919, representing the maximum exports of these products for all time. Compared with pre-war, the 1918 exports represented an increase of nearly 142% and those for 1919 were greater than pre-war by 183%. Before the war, exports of pork and lard averaged to form approximately 18.5% of the total production under inspected slaughter. In 1918 and 1919 exports of these products formed respectively 33% and 38% of the total inspected production.

¹See table in footnote, page 22.

²See table on page 59, for details.



Photograph from U. S. Department of Agriculture.

Figure 5: Feed lot hogs on an American farm. Thousands of droves of hogs fattening on corn-belt and prairie farms furnished the surplus pork and lard for the Allies in 1918 and for the famine-stricken areas of Europe in the post-Armistice period.

These exceptionally large increases in exports were made possible, to a large degree, by the decline in domestic consumption under the conservation program of the Food Administration. The constant urge to save meats and fats, the institution of meatless days, and the pledge of millions of housewives to help win the war by saving food, resulted in making many millions of pounds of pork and other foods available for the Allies. The domestic per capita consumption of pork and lard fell from the pre-war average of 81.2 pounds to only 68.5 pounds in 1917, and in 1918 was 83.2 pounds compared with 88.9 pounds in 1916 and the exceptionally high figures of 107.3 and 104.9 pounds in 1923 and 1924.³ The consumption of pork meats, excluding lard, showed an even larger relative decline during the war years, since these were the products most in demand by the Allies.

These data make it clear that increased production by American farmers and conservation under the direction of the Food Administration provided the export surplus for the Allies. Inasmuch as the government-controlled ration of the Allies, even with the addition of these supplies, was very low in fats, it is evident that without them the results would have been disastrous.

The figures on total exports of pork and lard do not, by any means, tell the whole story of the demands made on the United States for these products during the war years. A study of the detailed exports by classes of products⁴ shows that there was an enormous increase in the exports of pork meats, while in 1918 the exports of lard were but little larger than in the pre-war years. Exports of bacon, for example, increased from 189,000,000 pounds pre-war to 1,105,000,000 pounds in 1918. Hams and shoulders

³For details, see table on page 59. Incidentally, it may be noted that these high consumption figures for recent years show conclusively that the complaints from certain quarters to the effect that the war-time conservation resulted in permanent decreases in domestic consumption, are entirely unwarranted.

⁴See table on page 60.

and fresh pork also increased very greatly, although not to the same extent as bacon.

These shifts in demand were due chiefly to the change in markets. Germany has always been the chief purchaser of our lard. England, on the other hand, is a heavy purchaser of bacon, much of which is required in special cuts. The big increase in the exports of lard from this country since 1920 has been due very largely to the heavy purchases by Germany.

These facts show that during the war our producers and packers had to prepare not only very much greater quantities of pork products than normally for the Allied needs but that it was necessary to prepare an unusually large proportion of pork meats, particularly bacon.

PROPORTION OF PORK EXPORTS TO THE WESTERN ALLIES

The control of our export trade through the embargo and the export license system of the War Trade Board made it possible to direct our foreign trade in essential commodities to the Allied countries. Neutrals and minor Allies received only such supplies as were urgently needed, and the bulk of our exports were directed to the three Western European Allies, the United Kingdom, France, and Italy. For the five pre-war years 1910-1914 the average exports of pork to these three countries amounted to 302,063,000 pounds, or less than 75% of our total exports of these products. In 1918 the exports of pork to these same countries totaled 1,510,920,000 pounds, an increase of more than 400% compared with the pre-war average, and forming nearly 90% of our total exports of these products. In 1919 our total exports of pork were larger than in the preceding year, but both the amount and the percentage going to the Allies were smaller. This result was due to the diversion of a portion of our exports to the starving peoples of Central Europe and the partial return of the Allies to other sources of supplies.

HOG PRICES MAINTAINED

In spite of dire predictions, the Food Administration succeeded in maintaining the price of hogs at, or above, the specified minimum. At no time during the period of Food Administration control, extending from November, 1917, to March, 1919, did the Chicago average price of hogs fall below \$16 per hundred pounds,⁵ although the specified minimum at the beginning was set at \$15.50. While the minimum average price was maintained throughout this period, it must not be thought that this was accomplished without serious effort on the part of the Administration. Just what these efforts were and how the difficulties were overcome will be discussed in the succeeding chapters.

DATA ON PORK PRODUCTION AND TRADE

The following tables, compiled from official sources, give the most important data relative to the production, export, and consumption of pork and lard over a series of years. They are inserted here in support of the statements made in the text relative to these matters.

⁵See table following page 182. See also Chapter XVI for further discussion of prices.

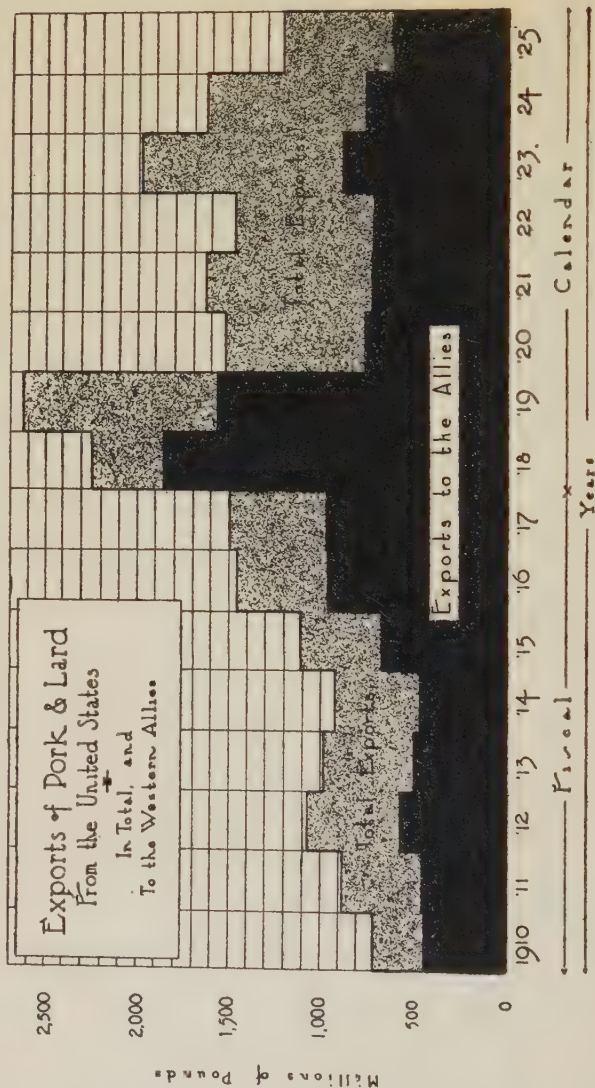


Figure 6: Showing that the marked increase in total pork exports in 1918 was due to the great increase in shipments to the Western European Allies. In 1919 total exports were still larger but the amount to the Allies was less than in the year before. The opening of the markets in the neutral and former enemy countries enabled the United States to dispose of its large pork surplus in that year.

PRODUCTION, EXPORT, AND CONSUMPTION OF PORK AND LARD IN THE UNITED STATES

YEAR	PRODUCTION (Millions of Pounds)				EXPORTS (Millions of Pounds)				DOMESTIC CONSUMPTION†				
	FEDERAL-INSPECTED*		TOTAL PRODUCTION†		Pork (Ex- cluding Lard)†	Lard†	Total Pork and Lard	TOTAL (Millions of Pounds)		PER CAPITA (Pounds)			
	Pork (Ex- cluding Lard)	Lard	Total Pork and Lard	Pork (Ex- cluding Lard)				Lard	Total Pork and Lard	Pork (Ex- cluding Lard)	Lard	Total Pork and Lard	
1909.....	3,937	888	4,825	6,681	1,506	463	458	921	1,048	7,266	68.5	11.5	80.1
1910.....	3,463	793	4,256	5,874	1,344	366	369	674	975	6,544	60.4	10.6	71.0
1911.....	4,419	1,013	5,432	7,499	1,717	446	605	1,051	1,112	8,165	75.3	11.9	87.2
1912.....	4,223	969	5,192	7,170	1,643	430	553	983	1,090	7,830	70.9	11.4	82.3
1913.....	4,396	1,011	5,407	7,468	1,713	445	575	1,021	1,138	8,100	72.7	11.8	84.5
Average													
1909-1913.....	4,087	934	5,022	6,938	1,584	418	512	930	1,072	7,593	69.7	11.5	81.2
1914.....	4,236	975	5,211	7,200	1,652	368	460	828	1,192	8,024	69.6	12.3	81.9
1915.....	4,723	1,086	5,809	7,824	1,800	882	487	1,368	1,313	8,256	69.9	13.2	83.1
1916.....	5,164	1,164	6,328	8,487	1,923	907	454	1,451	1,469	8,959	74.4	14.5	88.9
1917.....	4,054	930	4,984	6,884	1,577	616	382	1,008	1,167	6,997	57.1	11.4	68.5
1918.....	5,535	1,263	6,798	8,838	2,015	1,695	555	2,251	1,738	8,623	68.9	14.3	83.2
1919.....	5,567	1,326	6,894	8,916	2,069	1,854	783	2,638	1,903	8,159	65.8	12.0	77.8
1920.....	5,111	1,326	6,437	8,171	2,022	1,013	635	1,536	1,428	8,823	69.5	13.4	82.9
1921.....	5,327	1,384	6,711	8,451	2,095	1,046	737	1,631	1,206	8,983	72.1	11.2	83.3
1922.....	5,839	1,581	7,420	9,132	2,330	1,462	698	1,778	1,554	10,106	78.3	14.2	92.5
1923.....	7,203	1,980	9,183	11,143	2,871	1,401	928	2,329	1,811	11,869	90.9	16.4	107.3
1924.....	6,901	1,919	8,820	10,600	2,773	1,332	702	1,059	1,988	10,059	88.9	15.9	104.9
1925.....	5,860	1,452	7,312	9,210	2,224	519	708	1,227	1,534	10,400	77.5	13.5	91.0

*Data from United States Department of Agriculture, Bureau of Animal Industry.

†Includes both federal-inspected and country slaughter as estimated by the Department of Agriculture.

‡Data on exports from Department of Commerce, Bureau of Foreign and Domestic Commerce. Exports of pork include bacon, ham, shoulders, canned, fresh, and pickled pork, and Cumberland and Wiltshire sides reported separately beginning with 1924. Exports of lard include the items of lard and neutral lard.

§Computed from production and exports. Account is also taken of difference in storage at the beginning and end of year and of such small imports as occur.

EXPORTS OF PORK AND LARD FROM THE UNITED STATES BY CLASSES OF PRODUCTS
(Thousands of Pounds)

Calendar Year	Bacon	Hams and Shoulders	Canned Pork	Fresh Pork	Pickled Pork	Total Pork Meat	Lard	Neutral Lard	Total Lard	Grand Total Pork and Lard
1909.....	212,552	195,766	5,729	2,417	46,744	463,208	458,261	*	458,261	921,469
1910.....	128,270	131,182	3,716	927	41,489	305,584	368,832	*	368,832	674,416
1911.....	198,112	189,615	5,058	2,232	51,029	446,046	552,430	52,549	604,979	1,051,025
1912.....	192,022	176,059	5,185	2,608	54,373	430,247	495,093	57,556	552,649	982,896
1913.....	212,797	171,671	3,651	3,183	53,985	445,287	536,180	39,312	575,492	1,020,779
Average										
1909-1913	188,751	172,859	4,668	2,273	49,524	418,074	482,159	49,806†	512,043	930,117
1914.....	184,268	142,398	2,786	1,251	37,006	367,709	438,016	21,798	459,814	827,523
1915.....	524,138	266,443	7,929	24,230	59,048	881,788	451,286	35,390	486,676	1,368,464
1916.....	592,851	287,161	7,263	55,112	54,795	997,362	426,660	27,265	453,925	1,451,287
1917.....	578,128	243,387	5,377	49,373	39,294	915,559	372,721	9,423	382,194	1,297,753
1918.....	1,104,788	537,213	5,267	11,633	36,672	1,695,573	548,818	6,307	555,125	2,250,698
1919.....	1,190,297	596,796	5,792	26,777	34,114	1,853,776	760,902	22,957	783,859	2,637,635
1920.....	636,676	185,247	1,802	38,309	38,709	900,739	612,250	23,238	635,488	1,536,227
1921.....	415,356	232,324	1,150	56,083	32,843	737,756	668,942	23,951	892,893	1,630,649
1922.....	341,839	289,613	2,563	25,974	38,506	698,495	766,950	20,497	787,447	1,485,942
1923.....	456,797	372,093	2,801	54,692	41,841	928,224	1,035,382	24,129	1,059,511	1,987,735
1924.....	332,870	†305,110	3,274	32,803	28,280	702,337	944,095	27,365	971,460	1,673,787
1925.....	215,616	†251,853	4,702	19,820	27,453	519,434	688,829	18,854	707,653	1,227,087

*Not shown separately.

†Three year average.

‡Includes Cumberland and Wiltshire sides.

SOURCE: U. S. Department of Commerce.

PROPORTION OF EXPORT TRADE IN PORK AND LARD WHICH GOES TO THE THREE
WESTERN ALLIES, GREAT BRITAIN, FRANCE, AND ITALY
(Thousands of Pounds)

Years	PORK			LARD			PORK AND LARD		
	Total to Three Western Allies	Total to All Countries	Percentage Western Allies	Total to Three Western Allies	Total to All Countries	Percentage Western Allies	Total to Three Western Allies	Total to All Countries	Percentage Western Allies
Fiscal									
1910	278,815	344,182	81.0	163,553	362,928	45.1	442,368	705,110	62.7
1911	272,453	365,479	74.6	185,307	513,975	36.1	457,760	879,454	52.0
1912	354,992	477,377	74.4	215,213	594,574	36.2	570,205	1,071,951	53.2
1913	305,581	420,894	72.6	194,046	563,803	34.4	499,627	984,697	50.7
1914	298,477	411,131	72.6	178,282	510,782	34.9	479,358	921,918	52.0
Average									
1910-1914	302,063	403,813	74.8	187,280	509,212	36.8	489,343	913,025	53.6
1915	449,359	604,627	74.3	230,172	501,553	45.9	679,531	1,106,180	61.4
1916	714,332	998,195	71.5	250,265	461,438	54.2	964,597	1,459,633	66.1
1917	723,167	1,037,134	69.6	246,933	462,526	53.4	970,100	1,499,660	64.7
Calendar									
1918	1,510,920	1,695,573	89.1	352,408	555,125	63.5	1,863,328	2,250,698	82.8
1919	1,250,424	1,853,776	67.5	320,630	783,859	40.9	1,571,054	2,637,635	59.6
1920	558,694	900,739	62.0	214,867	635,488	33.8	773,561	1,536,227	50.3
1921	443,512	737,756	60.1	288,603	892,893	32.3	732,115	1,630,649	44.9
1922	445,298	698,495	63.7	282,974	787,447	35.9	728,272	1,485,942	49.0
1923	565,430	928,224	60.9	330,861	1,059,511	31.2	895,291	1,987,735	42.0
1924	464,296	702,337	66.0	328,133	971,460	33.8	792,428	1,673,787	47.3
1925	370,610	519,434	71.3	251,448	707,653	35.5	622,058	1,227,087	50.7

SOURCE: U. S. Department of Commerce.

VI

DIFFICULTIES ENCOUNTERED IN PRICE CONTROL

Food Administration policy checked price decline. Light marketings of hogs during fall and early winter of 1917-1918. Market glut in spring of 1918. Efforts to secure increased outlet. Mr. Hoover's request of the Allies. Hog prices based on ratio to corn price. Approaching Armistice disturbs this ratio. Heavy run of hogs in October, 1918. Agricultural Advisory Committee. Abandonment of 13 to 1 ratio. Undertaking by the packers. Unseasonable marketing checked.

ATTENTION has been called (Chapter III) to the unfavorable conditions for the hog industry which existed in this country during 1916 and the early part of 1917. The price of hogs had not risen as rapidly as that of corn, and farmers were marketing their grain and disposing of their breeding sows. By September, 1917, not only had the stock of hogs on farms been reduced far below normal, but market receipts and slaughtering had declined very greatly. In that month (September, 1917) only 1,322,000 hogs were slaughtered under federal inspection, which is the smallest number ever recorded for a single month.¹ The total pro-

¹NUMBER OF HOGS KILLED MONTHLY UNDER FEDERAL INSPECTION,
1916 TO 1922, INCLUSIVE
(Thousands Omitted)

Month	1916	1917	1918	1919	1920	1921	1922
January.....	5,387	4,629	3,691	5,846	5,079	4,347	3,985
February.....	4,276	3,484	3,998	4,266	3,104	3,799	3,480
March.....	3,430	2,985	3,926	3,443	3,482	3,047	3,350
April.....	2,853	2,045	3,290	3,208	2,590	3,003	2,946
May.....	3,275	3,084	3,092	3,743	3,585	3,274	3,716
June.....	3,163	2,685	2,783	3,728	3,566	3,618	4,046
July.....	2,530	2,411	2,940	2,884	2,644	2,821	3,104
August.....	2,517	1,705	2,283	1,949	2,191	2,530	2,888
September.....	2,287	1,322	1,980	1,997	1,979	2,422	2,747
October.....	3,327	2,195	3,018	2,686	2,487	2,866	3,332
November.....	4,771	3,043	4,280	3,270	3,329	3,447	4,318
December.....	5,267	3,723	5,662	4,790	3,985	3,807	5,201
Total.....	43,084	33,910	41,214	41,812	38,019	38,982	43,114

SOURCE: U. S. Department of Agriculture.

duction of pork products, including lard, under federal inspection for that month was less than 212,000,000 pounds, whereas our normal average monthly consumption in this country of inspected pork and lard exceeds 300,000,000 pounds. Cold-storage holdings of pork and lard had also dropped to the lowest figure ever recorded.² The outlook for supplying the urgent demands of the Allies for pork and fats was not bright. It was under these conditions that the Food Administration instituted meatless days and urged the public to conserve the supply of meats and fats as far as possible, in order that the Allies might be furnished with supplies necessary to their existence.

The reason for the small marketing and slaughter of hogs in the fall of 1917 was that the country had been drained of its surplus hogs under the unprofitable periods for hog production in the months which had preceded.

MARKET GLUT IN SPRING OF 1918

The announcement, on November 3, 1917, of the Food Administration policy to stabilize the price of hogs resulted at once in checking the ruinous prices, but it required time to build up the supply in the country. There was also an exceptionally large amount of soft corn from the 1917 crop, and hogs were being held back on the farms to consume this feed. During the months of November and December, 1917, and January, 1918, the movement of hogs to market was unusually light for that season of the year. By February, 1918, however, the effect of the stimulative price began to become apparent. The number of hogs killed under federal inspection in February and March is usually only a little over half the number killed in the preceding November and December. In 1918, February and March represented the peak of the year's slaughter. During the four months from February 1, to May 31, 1918, there were 14,305,000 hogs

²See Figure 8, page 67. Monthly records of storage holdings began with January, 1916.

slaughtered under federal inspection, which was 2,110,000, or 17% more than were slaughtered in the corresponding months of 1917. The total production of pork and lard for these four months exceeded by 637,000,000 pounds the output for the corresponding months in the preceding year.

By this time also the pork conservation program of the Food Administration was under full sway. The apparent domestic consumption of inspected pork and lard in March, 1918, was only 248,000,000 pounds, compared with 348,000,000 pounds in March, 1917, and 454,000,000 pounds in March, 1916.

Although the Allies were in need of all the fats they could obtain, the shortage of shipping, as well as our own internal transportation difficulties, limited the amount which they could take. Our total exports of all pork and lard in March, 1918, amounted to over 308,000,000 pounds, which was almost double the amount which had ever been exported from this country in a single month up to that time.

Due to the inability to secure transportation, the heavy production began to pile up stocks in the packers' hands. In March, 1918, total cold-storage holdings of pork and lard passed the 1,000,000,000-pound mark for the first time in history. By June, 1918, stocks had risen to 1,116,000,000 pounds.³ At the high prices prevailing, the packers had an enormous investment in this stock. Under normal conditions, prices for hogs would have fallen rapidly to discourage further marketing. The whole of the stocks would be needed by the Allies in subsequent months after the hog-marketing season had passed, but the problem was to carry them over.

It was only through the utmost exertion of Mr. Hoover and those associated with him that a drop below the minimum price was prevented and these needed stocks carried over until transport could be secured.

Early in 1918, the Food Administration wrote to the Allied Provision Export Commission, pointing out the trends

³See Figure 8, page 67.

MONTHLY RECEIPTS OF HOGS AT PUBLIC STOCK YARDS

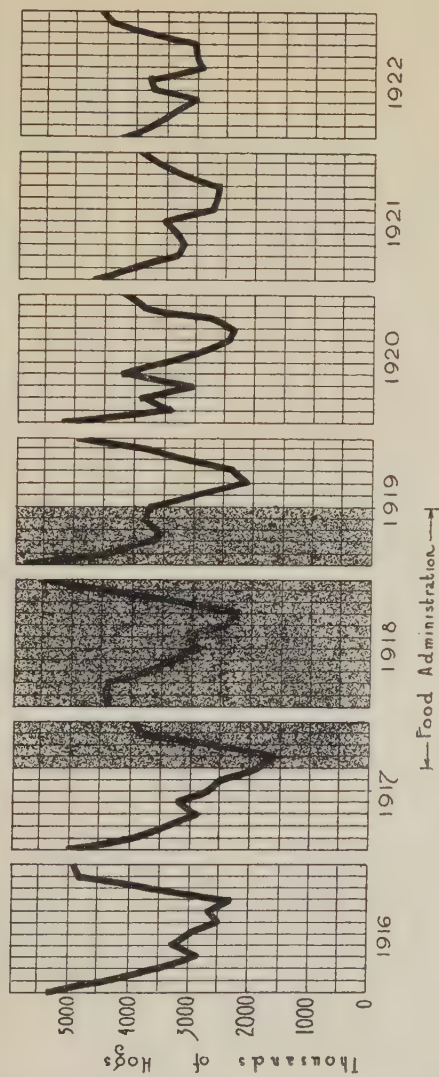


Figure 7: In November and December, 1917, and January, 1918, market receipts of hogs were exceptionally small for this season of the year. But February, March, and April showed exceptionally high receipts which, together with transportation difficulties, resulted in a market glut. Receipts in the months immediately after the Armistice (December, 1918, and January, 1919) established new high records in the marketing of hogs.

in the pork situation then becoming apparent, and suggested that they arrange to build up stocks of pork products in Great Britain and in France and Italy also if possible. It was suggested that, in addition to their usual monthly purchases, they should buy, during February and March, and hold, as a reserve, about 150,000,000 pounds of pork products. This proposal was accepted in part at least and on January 22, 1918, the Food Administration received confirmation that necessary credits had been arranged to cover approximately 100,000,000 pounds of pork products for Great Britain in addition to the usual February order.

Production, however, was increasing far faster than had been anticipated. On March 1, 1918, Mr. Hoover addressed a memorandum to Lord Reading, the British Ambassador to the United States, a copy of which was also cabled to Lord Rhondda, the British Food Controller in London. In this memorandum Mr. Hoover, after pointing out the serious temporary increase in pork supplies, said:

We cannot allow the result of this glut to break the price to lower levels than at present or we will discourage our farmers and demoralize the whole of next year's production. To solve this situation we are confronted with several alternatives.

The first is to remove all of our restrictions on the consumption of meats, for at least two or three months. This will greatly destroy the whole sentiment towards food conservation and will mean that our population will be eating excessive quantities of meat which will in fact be interpreted into decreased exports to the Allies at a later date.

The second alternative is for the Allies to undertake a blanket order for all excess production of pork products until the end of April and to either ship them to the Allied countries for storage against the period of shortage, or alternatively, to make such financial arrangements as will allow the extension of storage in this country. This will mean that the Allies will have to be prepared to take up to 450,000 tons (1,000,000,000 pounds) of pork products in March and April.

Although no definite acceptance of this proposal was made by the Allies, they did increase their orders for pork products very materially. The total exports of pork and lard for the

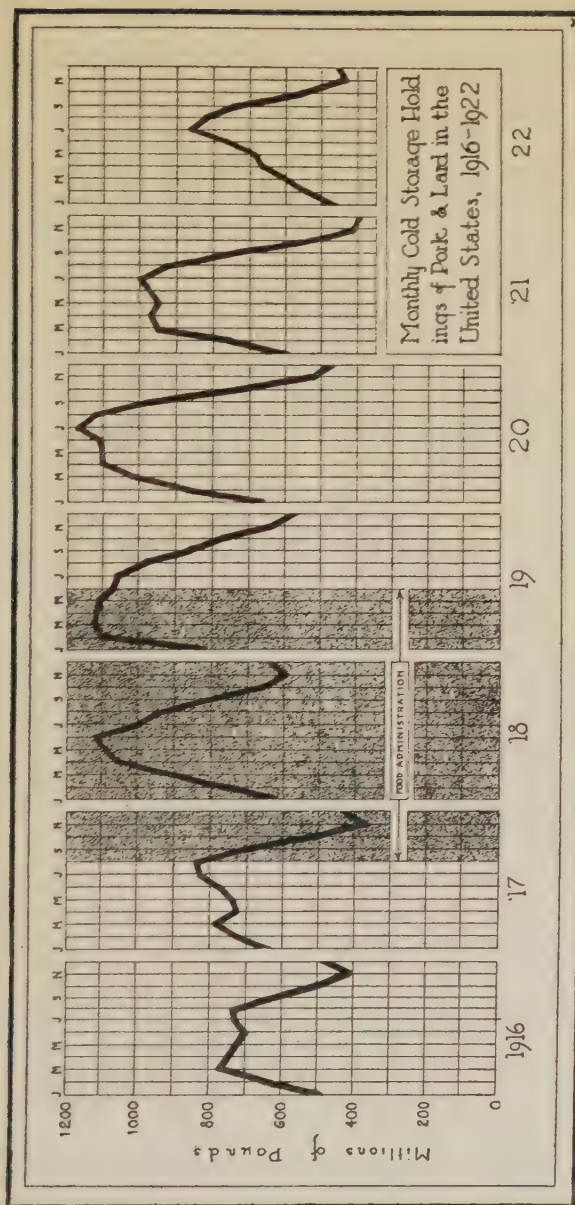


Figure 8: Cold-storage holdings of pork and lard in the United States passed the billion-pound mark for the first time in history in the spring of 1918. The enormous unseasonable stocks in the early months of 1918 threatened to demoralize the hog market which was held in line only by the most strenuous efforts by Food Administration officials.

three months March, April, and May, 1918, totaled 875,000,000 pounds, and this materially relieved the situation.

Before these orders were placed, however, the pressure was so great that Mr. Hoover announced that some relaxation in the voluntary restrictions on pork consumption could be made. On March 3, 1918, the Food Administration asked the people to refrain from eating pork on only one day each week instead of on two days, as had formerly been the case.

These measures were sufficient to tide over the spring and summer months without having the price of hogs fall below the minimum agreed upon by the Food Administration. But in the fall of 1918 a new and even more serious danger threatened to wreck this price structure.

APPROACHING ARMISTICE DISTURBS CORN AND HOG PRICES

At the earnest solicitation of representative swine growers, the Food Administration had based its minimum price of hogs upon a ratio with the price of corn. Although hogs are grown on other feeds than corn, nevertheless it is a fact that the margin of hogs that makes either a surplus or deficit of pork products depends upon the corn-fed hog of the Mississippi Valley—the so-called Corn Belt. In the statement issued on November 3, 1917,⁴ it was stated that for hogs farrowed in the spring of 1918 the Administration would, “try to stabilize the price so that the farmer can count on getting, for each 100 pounds of hog ready for market, 13 times the average cost per bushel of the corn fed into the hogs.” Although the Administration at no time expected that this ratio would be more than a general yardstick to measure an approximate minimum price level, yet the producers interpreted it more literally.

This ratio worked perfectly satisfactorily as long as the price of corn remained stationary or was advancing. However, in August and September, 1918, rumors of a possible armistice and the close of the war began to be circulated. The

⁴See page 37.

accumulation of large stocks of low-priced corn in Argentina and South Africa, which, it was assumed, would be thrown on the European market in the event of peace, created a great deal of apprehension among holders of corn in the United States. This resulted in a price decline between July and October, 1918, of from 25 to 40 cents per bushel.

This lower range of corn prices would, if incorporated in a 13 to 1 ratio, obviously result in a continuously declining price for live hogs. Many swine producers, anticipating such a decline, began to rush their hogs to market in large numbers, which still further aggravated the difficult price situation. The total slaughter of hogs under federal inspection in October, 1918, amounted to 3,018,000, which was 36% more than in the corresponding month of the year before.

According to the Department of Agriculture, the supply of hogs had increased about 8% over the preceding year, while the highest unofficial estimate did not exceed 15% increase. On the other hand, the receipts of hogs at the principal markets during October, 1918, was 25% greater than in October of the preceding year, showing that the ratio of marketing was far in excess of the increase in production.

This extremely heavy run of hogs was taxing to the utmost the ability of the packers to maintain the agreed price. Added to these difficulties, was the severe influenza epidemic which seriously curtailed domestic consumption of pork and reduced the labor staff of the packers by about 25%. The Allies continued to take their increased supplies. Exports of pork and lard for the two months of October and November, 1918, totaled over 255,000,000 pounds, compared with 153,000,000 in the corresponding months of 1917.

The supply of fats was not greater than the world needed if they could be properly distributed. In addition to the demands by the Allies, the Central Empires and the neutral countries were in serious need of these supplies, and in the event of peace it was believed there would result very heavy additional demands for pork products. The question, now, was how to hold the supply of hogs back so that they could

be marketed in an orderly fashion and thus enable the Food Administration to make good its moral obligation as to the price to the producer.

AGRICULTURAL ADVISORY COMMITTEE

The Agricultural Advisory Committee,⁵ and particularly its Subcommittee on Live Stock, had been kept constantly in touch with the changing conditions in the hog situation. This committee had met from time to time and advised both the Food Administration and the Department of Agriculture with regard to the numerous problems arising in these departments which affected the farmer. The question of hog prices was one on which the Food Administration had frequently sought their advice, especially that of the Live Stock Subcommittee.

At the meeting of this subcommittee on September 25, 1918, it had recommended the continuance of the 13 to 1 ratio, definitely stating that for this purpose the average cost per bushel of corn should be taken as the average farm value of corn, as determined by the Department of Agriculture, in the eight leading corn and hog states during the period of five months preceding the month in which the hogs were marketed, and that the price of hogs should be based on the average of packers' droves at Chicago.⁶

Under the difficult conditions which developed in October, 1918, Mr. Hoover requested a special meeting of this subcommittee, to which were invited a number of special members representing the swine industry.⁷ In his letter of Octo-

⁵See page 45.

⁶See table following page 182.

⁷The members of the subcommittee and the special representatives participating in this conference were: J. G. Brown, Monon, Indiana; E. C. Brown, president, Chicago Live Stock Exchange; W. R. Dodson, Baton Rouge, Louisiana; J. M. Evvard, Ames, Iowa; Eugene Funk, Bloomington, Illinois; N. H. Gentry, Sedalia, Missouri; John Grattan, Broomfield, Colorado; C. W. Hunt, Logan, Iowa; Isaac Lincoln, Aberdeen, South Dakota; W. M. McFadden, Chicago, Illinois; J. H. Mercer, Topeka, Kansas; H. C. Stuart, Elk Garden, Virginia; A. Sykes, Ida Grove, Iowa; and C. E. Yancey, Liberty, Missouri.

ber 24, 1918, to H. C. Stuart, requesting the assistance of this committee, Mr. Hoover, after setting forth the conditions referred to above, said:

I am extremely troubled at this situation, for, as the Committee is well aware, the one desire of the Food Administration is to do justice to the producer in the United States and to secure for him a proper return for his large exertions in providing the world with larger food supplies. The whole plan as put into action a month ago was designed purely for this purpose. There is no doubt but that from overmarketing, the plan may become unmanageable at any moment. I am therefore anxious that you should consider the problem anew in all its aspects.

To indicate our intention to proceed in this matter in absolute good faith, I may say that we have in hand orders for 170,000,000 pounds of pork products for the month of November, which may be slightly increased during the month. The Food Administration is prepared to place these orders on the basis of the 13 to 1 ratio applied to the month of November. I do not, however, feel that if the producers continue to flood the market that this will assure any stability to the price.

The conclusions of the Live Stock Subcommittee and the special swine growers' representatives at the meeting held in Washington on October 24 to 26, 1918, were that attempts to hold the price of hogs in a ratio to the price of corn (as had been recommended by the subcommittee at their meeting a month before) might work out to the disadvantage of the swine producer. It was their opinion now that this formula should be adopted only as a broad policy applied over a long period of time.

The result was that the subcommittee recommended that the 13 to 1 ratio be abandoned, except for purposes of discussion at future conferences whenever it might be considered as a guide and that the price of hogs should be arrived at by frequent (monthly) conferences between: (1) the Food Administration, (2) the Agricultural Advisory Committee or the Live Stock Subcommittee thereof and associated swine producers invited to sit with them, and (3) the Packers' Committee.

The guiding principles of these conferences were to be the

determination of prices on controlled orders that would yield a fair return to the producers and the coordination of these prices with the commercial conditions of supply and demand, so far as this could be accomplished.

As the result of the first conference under this plan on October 26, 1918, the following undertaking was given by the packers:

In view of the undertakings on the part of the Food Administration with regard to the coordinated purchases of pork products, covered in the attached, it is agreed that the packers participating in these orders will undertake not to purchase hogs for less than the following agreed minimums for the month of November, that is, a daily minimum of \$17.50 per hundred pounds on average of packers' droves, excluding throw-outs. "Throw-outs" to be defined as pigs under 130 pounds, stags, boars, thin sows, and skips. Further, that no hogs of any kind shall be bought, except throw-outs, at less than \$16.50 per hundred pounds. The average of packers' droves to be construed as the average of the total sales in the market of all hogs for a given day. All the above to be based on Chicago.

We agree that a committee shall be appointed by the Food Administration to check the daily operations in the various markets, with a view to supervision and demonstration of the carrying out of the above.

The ability of the packers to carry out this arrangement will depend on there being a normal marketing of hogs based upon the proportionate increase over the receipts of last year. The increase in production appears to be a maximum of about 15%, and we can handle such an increase.

If the producers of hogs should, as they have in the past few weeks, prematurely market hogs at such increasing numbers over the above, it is entirely beyond the ability of the packers to maintain these minimums, and therefore we must have the cooperation of the producer himself to maintain these results. It is a physical impossibility for the capacity of the packing houses to handle a similar overflow of hogs and to find a market for the output. The packers are anxious to cooperate with the producers in maintaining a stabilization of price and to see that producers receive a fair price for their products.

As a result of this assurance to producers, the flood of unseasonable marketing was checked to a certain extent and

the minimum price was again maintained by the packers under their agreement.

The respite from these difficulties, however, was not of long duration. On November 11, 1918, the Armistice was signed and the active period of the World War was over. With it came a complete change in the international food situation. The story of the fight waged by Mr. Hoover to maintain the pork market during the three months following the Armistice, in order that the moral obligation to the swine producers of this country might be maintained, forms one of the most brilliant and interesting chapters in the economic history of the war. This story, together with supporting documents and data never before made public, is given in the succeeding chapters.

VII

THE ARMISTICE AND MR. HOOVER'S PLAN TO OPEN WORLD MARKETS

What the Armistice meant. No formal contracts by Allies but definite import programs arranged in summer of 1918. World fat supply not too large. Post-Armistice needs of Europe. Starvation threatening millions of people. Associated governments pledged to furnish relief. Task assigned to Mr. Hoover. Post-Armistice problems. Allied program for pork products. Excessive production threatening to wreck price stabilization. Plan to open enemy and neutral markets. Difficulty of establishing direct trade with Germany. Proposal to allow neutrals to resell to Germany. Plan first accepted by Blockade Council. Military authorities opposed and plan rejected.

The signing of the Armistice on November 11, 1918, with its release of accumulated food supplies in the Southern Hemisphere, produced a profound change not only in the actual demand for specific materials, but also in the psychology of the nations which had been engaged in the conflict. Prior to this time the Allied countries had been insisting on larger and larger supplies of munitions and foodstuffs from the United States. Orders were being placed every month for hundreds of millions of dollars worth of supplies.

The closest cooperation had been developed between the several powers arrayed against the Central Empires. The keenness of the struggle had forced these nations to submerge their individual nationalistic feelings in the common undertaking of winning the war. Unity of military control of the Allied forces had been established. Similar unified control of shipping, of finance, of blockade policies, of the purchase of raw materials, foodstuffs, and munitions, among other things, had all been perfected and were working smoothly and harmoniously.

With the signing of the Armistice and the almost certain close of the period of active fighting, the whole situation

changed immediately. The stupendous cost of the war had involved each nation in staggering debts, both to their own nationals and to other governments. Each country wanted to curtail its expenditures as far as possible and to get back on a peace basis at the earliest possible moment. Guns and munitions were no longer needed, and contracts for these were canceled and liquidated under the best terms obtainable. Foodstuffs were still needed, but it was obvious that the relief of shipping would open other world markets with their dammed-back and cheaper supplies and that prices would decline.

NO FORMAL CONTRACTS FOR FOODSTUFFS REQUIRED FROM THE ALLIES

The import requirements of the Allies had been discussed in detail at joint conferences of the Food Administrators of the United States, Great Britain, France, and Italy in London and Paris in July, 1918. Definite import programs¹ for the coming year were decided upon and on the basis of

¹This program for the year ending July 1, 1919, amounted to a total of 17,550,000 tons of foodstuffs compared with average pre-war annual shipments of only 5,533,000 tons. Of this amount meats and fats totaled 2,600,000 tons against a pre-war average of only 645,000 tons and shipments for the preceding year of 1,550,000 tons. The following table gives some idea of the burdens in supplying the Allies which the United States had assumed and on which all production programs were based:

Product	Average Three-Year Pre-War Shipments (Tons)	Shipped Year Ending July 1, 1918 (Tons)	Must Be Shipped Year Ending July 1, 1919 (Tons)
MEATS AND FATS (Beef, Pork, Dairy, and Vegetable Oil Products).....	645,000	1,550,000	2,600,000
BREADSTUFFS (Wheat and Substitutes in Terms of Grain).....	3,320,000	6,800,000	10,400,000
SUGAR (From United States and West In- dies).....	618,000	1,520,000	1,850,000
FEED GRAINS (Mostly Army Oats).....	950,000	1,950,000	2,700,000
TOTAL.....	5,533,000	11,820,000	17,550,000

these the United States prepared its production and export programs. These programs called for the shipment of some 17,500,000 tons of food and feed from the United States in 1918. This was an increase of 12,000,000 tons, or more than 200% above our average pre-war annual shipments of these commodities.

In regard to these foodstuffs it had obviously been impossible to make definite contracts in advance for unknown quantities. The obligation of the Allies to the United States must, of necessity, rest upon the many assurances which they gave to back up our policies of stimulating production. In the case of wheat, a contract had been arranged between the Food Administration Grain Corporation and the Wheat Export Company (the grain-buying organization of the Allies) by which the latter was to take 100,000,000 bushels of wheat or its equivalent of flour from the 1918 crop. For other foods, such as pork and lard, no definite contracts could be made because of the uncertainty as to the quantities available.

Up to the time of the Armistice the Allies were insistent upon larger supplies of fats. The Inter-Allied Scientific Food Commission had stated that the Allied ration was deficient in fat and that increased supplies should be secured. For these reasons and for these alone, the United States Food Administration, the United States Department of Agriculture, and other organizations, both state and national, had engaged in an intensive campaign to increase hog production, with the gratifying results set forth in the preceding chapters of this book. This surplus production was not needed by the United States but had been created solely for the Allies and in accordance with the programs laid down by them. This increase was just at its maximum when the Armistice was signed. The run of hogs to market in December, 1918, and in January and February, 1919, was the greatest that had ever been recorded in this country. If the war had continued, the Allies would have been only too glad to have had these products which would have been

of vital importance. There was, therefore, clearly a moral obligation entered upon by the Allies to assist in the disposal of these products which had been created solely for their need.

WORLD FAT SUPPLY NOT TOO LARGE

Mr. Hoover realized long before the Armistice was signed that such an event would seriously disturb the food markets of the United States. Yet no one knew how much longer the war would last and clearly we must bend every effort as long as it was in progress. However, Mr. Hoover had no fears regarding the need for our enlarged production. In his letter to the Agricultural Advisory Committee on October 24, 1918, (cf. page 71) he had said:

While I do not advance the notion that we may have immediate peace, my own view of its effect, if it should be realized, is that . . . there will be an even larger demand for pork products with peace than during the war, because of the enormous fat shortage in the Central Empires, which would be an additional demand upon the top of the present heavy demands by the Allies.

Subsequent events showed the truth of this prophecy, but the great problem was how to make this food available to the starving people of the newly liberated territories as well as to the enemy countries.

At the outset, Mr. Hoover clearly perceived that the post-Armistice problem in American food supplies was largely that of diverting a considerable portion of the export stream from its previous destination in the Allied countries, to the famine-stricken areas of Central and Southern Europe. To do this, however, credit must be created, transportation provided, and commercial relations established. This would require time, while the ever-increasing stream of perishable pork products must be kept moving, if disaster to American markets was to be prevented. Mr. Hoover, therefore, urged that the Allies continue a steady buying program through their consolidated purchasing agencies and that immediate steps be taken by the Allied and Associated

governments to open an outlet for the surplus into the liberated and enemy countries where it was urgently needed to preserve life and prevent anarchy.

POST-ARMISTICE NEEDS OF WAR-STRICKEN EUROPE

How badly these supplies were needed was known only by those in intimate touch with the situation. It is extremely difficult for any one not familiar at first hand with the conditions in Europe after the Armistice to realize the terrible situation in which the people of Central and Southern Europe found themselves. For four years most of these countries had been under strict military discipline or military occupation in which there had been no economic life; everything had been forced to assist in the military activities. There was complete breakdown in finance, transportation, and communication. The people had suffered so long and so severely that they had no heart to tackle the hard work of reconstruction. Starvation was threatening the lives of millions of people in the old Central Empires and especially in the dozen new countries which sprang into being immediately after the Armistice.²

The situation in these countries, in its main outlines, at least, was clearly recognized by our government at the time of the Armistice. With this knowledge it is no wonder that Mr. Hoover maintained that our supplies of food were not greater than the world needed. Such a food vacuum in Europe would require vast quantities to fill only its most urgent needs. But the problem was, how to make this food available to these people. Neither they nor their governments had either money or credit.

In connection with the Armistice, the Allied and Associated governments had pledged themselves to furnish needed food relief to these territories, and it was of vital importance to assist the newly liberated states at once, if they

²For further discussion of the post-Armistice conditions in Europe, see Chapter XVIII.

were to survive anarchy. But it now remained to find ways and means of making this pledge effective. This was the task assigned to Mr. Hoover, working in conjunction with the Allied governments, and it was a task of the very first magnitude. It involved, in the first place, finding some means of international financing for huge purchases of food. Congress had made no appropriation³ for this purpose, and the Allied governments were in much worse financial positions than ourselves. Even with the question of finance settled, the problems of purchasing, shipping, and distributing these vast quantities of foodstuffs presented difficulties of no mean proportions. These difficulties were greatly increased because of the political demands of the Allies for the maintenance of the blockade until Germany and the other enemy countries had signed the peace treaties.

On November 12, 1918, the day following the Armistice, President Wilson addressed a memorandum to Mr. Hoover which directed that:

Mr. Hoover, as United States Food Administrator, will proceed at once to Europe to determine what action, if any, is required from the United States and what extensions of the Food Administration Organization, or otherwise, are necessary in order to carry out the work of the participation of the United States Government in this matter and to take such steps as are necessary to temporary relief.

Mr. Hoover sailed from the United States on November 18, 1918, only seven days after the signing of the Armistice,

³At a later date (Act approved February 25, 1919) Congress appropriated \$100,000,000 for relief in Europe, exclusive of enemy territory. Even this relatively large sum proved only a drop in the bucket compared with the amount which it was found necessary to use in supplying only the most urgent needs of Europe in 1919.

During the period of 9½ months from the Armistice on November 11, 1918, to September 1, 1919, there were delivered to European countries under the direction of Mr. Hoover as Director General of Relief more than 4,750,000 tons of supplies valued at approximately \$1,150,000,000. Of this amount, 30% was sold for cash; 3% was given as charity, and the remainder, 67%, was delivered in return for international obligations of the countries concerned. Of the total amount delivered, approximately 77% came from the United States, and the remaining 23% either from the other Allies or was secured from neutrals.

yet before he left this country he had completed arrangements for the shipment of some 240,000 tons of foodstuff, including approximately 70,000,000 pounds of pork products. These shipments, arranged before any definite relief measures were settled, were to be used as the nucleus of American relief to the liberated nations or for sale to Germany. Subsequent events showed the wisdom and foresight of sending these advance supplies. Without them the conditions in Europe in the early months of 1919 would have been infinitely worse than they were.⁴

POST-ARMISTICE PROBLEMS

When Mr. Hoover set out for Europe in November, 1918, he conceived that there were five separate problems to be handled in this situation:

1. The Allied countries, Great Britain, France, and Italy, were still far short of food supplies, but with the release of their shipping from carrying troops and war supplies they were free to go to the Southern Hemisphere for cheaper food. However, their moral obligation, to assist in the disposal of the large American surplus, created for their benefit, was so great that it was believed they would not immediately desert the American market.

2. The "Liberated Nations" of Belgium, Czechoslovakia, Poland, Serbia, Roumania, Lithuania, Esthonia, Latvia, Finland, and Armenia were starving in the most literal sense of the word. Unless supplies were furnished them immediately, they were in grave danger of collapsing in anarchy and bolshevism. All of these governments were necessarily feeble and totally without financial resources or credit.

3. The enemy states of Germany, Austria, Hungary, and Bulgaria possessed insufficient supplies to reach the next harvests. Here, too, people were actually starving and their

⁴See Chapter XVIII.

governments were in danger of collapse. But each of these countries had some resources in gold and securities which, if permitted, could be used to pay for food supplies.

4. The neutral states of Holland, Denmark, Norway, Sweden, and Switzerland had been under drastic blockade restriction in the latter years of the war. Only the minimum imports of food had been permitted because of the world shortage but especially to prevent reexport to Germany. These countries required large amounts of food before the next harvest to properly nourish their people. They had both shipping and resources. All that was required was permission from the Allied blockade authorities to import the needed supplies.

5. The problem of the American farmer—the Food Administration acting on his behalf—was to secure the disposal of the surplus which had been created for the purpose of assisting the Allies to win the war. The last crop of hogs produced under assurances from the Food Administration began to arrive in the market at the beginning of October, 1918, and would continue until the end of the following March. The Armistice on November 11, therefore, saw this crop of hogs less than two months marketed with nearly five months' production still to dispose of. The surplus of pork products for export from this crop amounted to more than 400,000,000 pounds per month.

The problem before the Food Administration was complex enough, for it embraced the shifting of a large part of this 400,000,000 pounds per month of surplus pork from the Allies to other quarters. However, the American market could not wait for this shifting to take place, because pork products are perishable and no one wants to buy them for storage. The stream must be kept moving. If it ever stopped—then the crash. All of the surplus would be needed, but to turn the corner, time must be allowed to create credit and shipping, the approval of the Allies must be secured for the former enemy countries to use their cash

resources, and besides, communications, railways, and commercial connections must be restored all along the line.

To accomplish these things it was necessary to have the support of continued steady buying by the Allies until the neutral, liberated, and enemy countries could be gotten into action, and in addition the cooperation of the Allies must be had in removing the blockade restrictions from this new area of food demand.

It was not anticipated that any trouble would be experienced with the Allied programs. Although, with the demobilization of their military forces, there might be some reduction in the requirements for certain classes of food, there was no prospect of increasing their domestic supply before the next harvest. Also it was expected that the blockade of the European neutrals and the Central Empires would be relaxed immediately in order to allow them to obtain food supplies they absolutely needed. One of the definite terms of the Armistice convention was that Germany should be allowed to secure needed food supplies. These, together with the supplies which it was expected would be furnished to the newly liberated territories, would require all of the available food supplies from all parts of the world, and it was a question whether there would be enough to supply even the most urgent demands. Fats were one of the foods most needed by each of these countries.

ALLIED PROGRAM FOR PORK PRODUCTS

In accordance with the agreement between the Food Administration and the Allied buyers (cf. page 43) the December program for pork products was settled in the usual manner in the latter part of November, 1918, and the tentative programs for the next three or four months were arranged. Even as late as December 15, 1918, dispatches were received confirming the Allied programs for the months of December, January, and February. The December pro-

gram for Great Britain, France, and Italy totaled 248,000,000 pounds of pork and lard, while other orders for relief shipments and to neutrals amounted to about 100,000,000 pounds, making a total of about 350,000,000 pounds for the month. The orders in sight by the middle of December, for January shipment to the Allies and others, totaled 185,000,000 pounds, and these, it was expected, would be increased in the normal course of events. But large as these orders were, they were not sufficient to take care of the surplus production at this peak period of hog slaughter. On December 20, 1918, F. S. Snyder, Chief of the Food Administration Meat Division in Washington, cabled Mr. Hoover that:

We must have orders for 400,000,000 pounds for January and the same for February. Present orders must be doubled or disaster will follow.

On December 24, 1918, Mr. Hoover cabled from Paris:

In order to make certain of maintaining the \$17.50 hog, it may be desirable to organize jointly APEC and the Grain Corporation to take regular service from Chicago packers using Northern and Southern Relief (Liberated Regions Relief) and Army requirements as a reservoir into which to pour any failure in other quarters to take these products as they arrive at seaboard. I regard the disposal of this situation as the greatest work we have ever undertaken and I hope everybody puts his back into it.

While at this period of peak production there was clearly an oversupply of pork products for the current demand, yet from the long view of the necessities of Europe in the months to come there was no excess. Another cable from Mr. Hoover in December, 1918, stated:

Europe will need every pound of pork products we can export before next July, and as soon as the initial chaos of the sudden economic change from war to Armistice can be overcome, there will be an overdemand.

All of this proved to be true, but the immediate situation developed to a point where collapse seemed certain.

MR. HOOVER'S PLAN TO OPEN ENEMY AND NEUTRAL MARKETS

Article 26 of the Armistice Convention of November 11, 1918, contained the following sentence, which had been included at the suggestion of Mr. Hoover:

The Allies and the United States contemplate the provisioning of Germany during the Armistice as shall be found necessary.

By this statement the Allies and the United States expressed their expectation to allow Germany to import at least such foodstuffs as were urgently required to maintain her population in a fair state of health. It was well known that Germany's food situation was in a serious state. This had been one of the prime reasons why Germany was willing to end the war at this time. The chief practical difficulty, however, was, how could Germany pay for this food? Four years of war had, of course, disrupted all communication, commercial or otherwise, between the Allies and Germany. Even the physical means of transport were entirely interrupted. Germany had several hundred million dollars worth of gold reserves, but the Allies were unwilling to allow this to be used for food because it would decrease the volume of reparations which they hoped to obtain. Even if a form of payment could be agreed upon, there still remained a large undertaking in establishing the necessary trade connections to carry through commercial transactions of this magnitude.

In this situation Mr. Hoover suggested a simple and practical plan which obviated all of these difficulties. This was simply to raise the food blockade against the Northern neutrals not only to relieve their own necessities but also to allow them to reexport specified amounts of food to Germany. These neutrals were in a position to exchange such food for coal, raw material, and other products from Germany, and they, in turn, would pay the Allies and the United States for the foodstuffs imported. Such a plan obviated all the difficulties of direct trade between the Allies and Germany. It would permit German mines and industry to start operation, giving much needed employment to many

people; it rendered the depletion of the German gold reserve unnecessary, and it opened a much needed outlet for surplus foodstuff from the United States.

This plan was formulated immediately after the Armistice and, with the approval of the President, it was cabled to the American representatives in London before Mr. Hoover sailed from this country. This plan was presented to the Allied Blockade Council on December 22, 1918. On December 24, Mr. Hoover was notified that, subject to the approval of the Italian Government, the Blockade Council had added to the free list: (1) pork and pork products, and (2) iron, steel and manufactures, except high-speed steel. This information was cabled⁵ to America and announced in the press. The neutrals were notified and all arrangements were well under way for the establishment of private trade with the neutrals, when the Allied Blockade Council suddenly reversed its decision. The Council found that there was strong opposition to this plan on the part of high military authorities who wished to keep the force of short food supplies upon Germany until peace was signed and it was deemed necessary to submit the action to the review of the Supreme High Military Command of the Allied Armies, which opposed the measure. On December 31, 1918, the Allied Blockade Council announced the reversal of its former action, and now permitted imports to neutrals only under guaranty against reexports.

It was hoped that this action would be reconsidered, but it never was; and thus came to an end a really constructive and simple plan of feeding Germany. After months of delay the Allies were finally forced to allow Germany to buy

⁵On December 26, 1918, Mr. Hoover cabled from Paris to Mr. Snyder in the Washington office of the Food Administration as follows:

Yesterday pork products were placed on the free list. This means that there is no restriction on their resale even to the enemies. Please inform packers learning what they intend doing at once in reestablishing their business. If you have slightest trouble getting them ships from Shipping Board cable me at once. I wish to sell Northern neutrals through Grain Corporation if packers do not take prompt action.

food with her gold reserve,⁶ all or much of which might have been saved if this plan had been put into operation. Not only this, but it worked still further hardship on the neutral countries who had already stood for much hard treatment during the war.

Furthermore, the American hog and pork market again faced a real crisis. With the largest production ever recorded up to that time, and with storage stocks the highest ever known, it was a desperate situation that faced the Food Administrator on January 1, 1919, in his attempt to maintain what he regarded as a moral obligation to the American hog producer.⁷

⁶See Chapter XI.

⁷One interesting side-light on the chain of events occurring during this period was the experience with the Packers' Committee at the December, 1918, meeting at which prices of hogs were to be determined for the month of January, 1919. The voluntary agreement between the Food Administrator and the packers was renewed each month at the meeting between the Food Administration, the Packers' Committee, and the Agricultural Advisory Committee.

For the December, 1918, meeting, some 40 packer representatives held a meeting on the train coming from Chicago to Washington and by a formal vote decided not to enter into any price agreements with the Administration covering the month of January. Their contention was that, in view of the market situation, they were not justified in building up stocks of pork products based on a price for hogs of \$17.50 per hundred pounds.

Such action by the packers would, of course, have been fatal to the Food Administration plans for carrying out the government's obligation to the farmers. Mr. Snyder, Chief of the Food Administration Meat Division, on hearing of this action immediately called in Mr. Stuart, Chairman of the Agricultural Advisory Committee, and placed the critical situation before him. He also called in Thomas Wilson, Chairman of the Packers' Committee, and pointed out to him the danger to the packers themselves in this action. With the large number of hogs still remaining to be marketed it was almost certain that the price would break if the packers did not continue their agreement. This meant a loss of hundreds of millions of dollars to the growers, but it also meant a heavy loss to the scores of packers on the stocks they already had on hand.

Supported by these two gentlemen, Mr. Snyder went into the regular meeting the next morning and presented such convincing arguments as to the necessity for and the desirability of continuing the packers' agreement during January that he was able to carry his point in spite of the previous adverse decision by the packers. The success of this move was of vital importance to hog growers, because if the agreement had failed at this period of heavy hog marketing it would most certainly have meant a break in prices with heavy losses.

This instance serves to illustrate one of the many critical points that were successfully passed, this time due to the earnest and faithful work of Food Administration officials in the Washington office.

VIII

A CRISIS IN THE AMERICAN PORK MARKET

Cancellation of Allied January programs. Mr. Hoover's efforts to reinstate. French and Italian orders reinstated but not the British. Letter to President Wilson. Mr. Hoover's proposals not accepted. The British position. Obstruction to American pork markets. Steps taken to avert catastrophe in hog market.

THE frustration of his plans for opening the enemy and neutral markets was by no means the only difficulty experienced by the Food Administrator in January, 1919. This month, I venture, is one that Mr. Hoover will long remember, and probably as a nightmare. I have no doubt but that many of such gray hairs as he now possesses were acquired during those harassing days.

CANCELATION OF ALLIED JANUARY PROGRAMS

As stated in an earlier chapter, the Allies had cabled as late as December 15, 1918, tentatively confirming their pork orders for January and February. The packers were already engaged in preparing these products, many of which, especially for the British market, required special cuts and special cures not readily salable elsewhere.

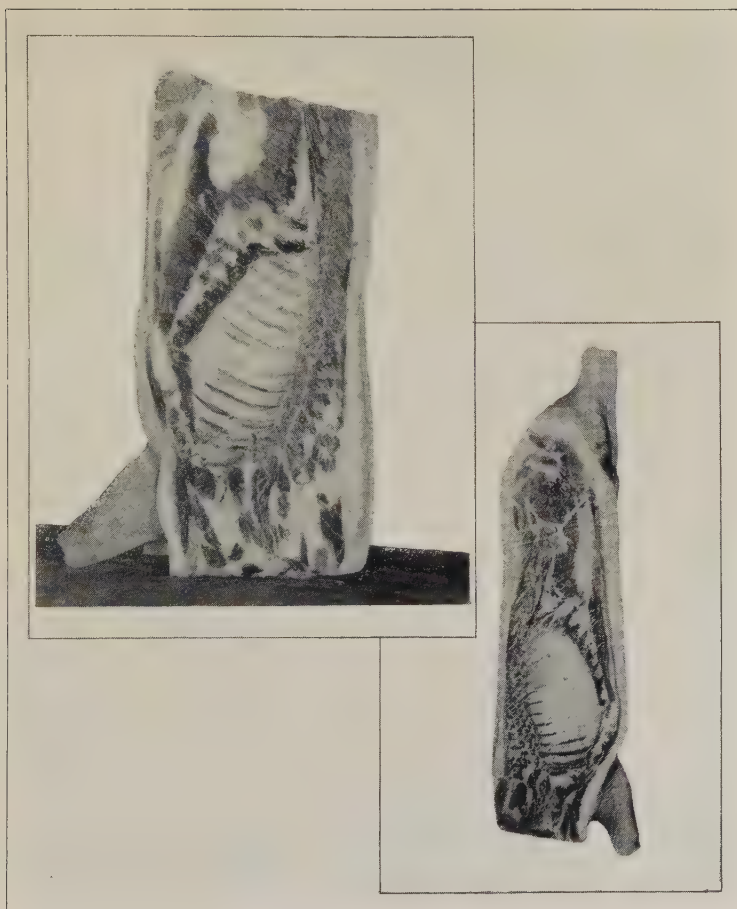
The British original order for January shipment had been for 160,000,000 pounds of pork and lard. On December 20, the British Ministry of Food cabled asking to have this order modified and reduced to 40,000,000 pounds for January and the same amount for February. This was a severe blow to the Food Administration's plans, but it was hoped that reinstatement could be secured. Even as late as December 29, 1918, Mr. Hoover cabled to the Food Administration at Washington as follows:

If tonnage can be arranged on Allied side, France is inclined to take 20,000 tons (40,000,000 pounds) more pork. British order will most probably be increased by 16,000 tons (32,000,000 pounds).

This shows clearly that even near the end of December, the Allies were considering increasing their orders for pork. Then suddenly, out of a clear sky, after a meeting of the Allied Meats and Fats Executive in London on December 31, 1918, it was announced that it was inexpedient to place further orders for pork at that time, and each of the three Allies simultaneously announced the cancelation of their entire January orders, amounting in all to 360,000,000 pounds. The Meats and Fats Executive cabled instructions to APEC in New York to cancel all orders for January, pending further notice.

CRISIS IN AMERICAN HOG MARKET

This, coming on top of the other events, seemed, indeed, the eclipse of the last hope of maintaining the price of hogs in the United States, but Mr. Hoover realized the tremendous stakes involved in the collapse of the pork market, not only to hog producers, but to the 50 packing firms and to all of the thousands of country banks who had purchased packers' obligations based upon the enormous stocks they had on hand. Consequently, he redoubled his efforts to mend the situation. He cabled to the Grain Corporation to purchase up to 50,000,000 pounds of pork and lard for subsequent relief of the liberated nations in addition to previous orders. He also placed increased orders for pork through the Belgian Relief Commission to the extent of 20,000,000 pounds. Although the programs for relief to the newly liberated states were not yet established, Mr. Hoover knew that Europe would need this pork before the next harvest, and he trusted to the future to find ways and means of disposing of it. He also held immediate conferences with the Allied officials and, after presenting our situation, he secured



Photograph by the U. S. Department of Agriculture

Figure 9: Cumberland (left) and Wiltshire (right) cuts of pork as packed for the British trade. These cuts are not used in the domestic trade in the United States nor in the foreign trade with countries of Continental Europe. Hence the refusal of the British in January, 1919, to accept cuts prepared especially to their order left American packers with large quantities of these products not readily salable elsewhere.

the reinstatement of the French and Italian programs amounting to 200,000,000 pounds. Further, he suggested to the Swiss and Swedish Governments that the supplies which had been withheld from them could now be furnished. He also immediately dispatched the following message to the Allied Committee of Permanent Representatives in London:

Gentlemen:

I am advised this morning from Washington that they have been notified by APEC that APEC have been instructed by cable to cancel entire pork program for January, February, and March on behalf of Allied Governments. I am informed by the French and Italian Governments that this is not the case and that their orders are for 80,000 and 20,000 tons (160,000,000 and 40,000,000 pounds) respectively for January delivery. I would also be glad to know if an order is being given by the British Government for 12,000 tons (24,000,000 pounds) in replacement of resales to Holland. I desire again to call attention to the fact that the refusal of the British authorities to accept the Wiltshire and Cumberland cuts prepared in accordance with their previous declared program for January, February delivery cannot but precipitate a situation which will do the most infinite damage.

On January 8, 1919, Mr. Hoover wrote President Wilson, who was then in Paris at the Peace Conference, pointing out what had happened and that the French and Italians, but not the British, had restored their programs. He said in part:

The Allied food necessities have been outlined from time to time by a series of programs made up by the Inter-Allied Food Council, the latest of these programs is as recent as the 15th of December and calls for our entire January surplus. Our manufacturers have provided the particular types of manufacture required by each of these governments and have enormous stocks of these materials in hand ready for delivery in accordance with the indicated programs above mentioned.

While we can protect our assurances given producers in many commodities, the most acute situation is in pork products, which are perishable and must be exported. We have, in January, a surplus of about 400,000,000 pounds, and the French, Italian, and Belgian Relief and other customary orders, when restored,

will cover 60% of such. The British orders, at the rate indicated in their official programs, would have been 140,000,000 pounds and covered our deficiency plus some help I am giving from the Relief. The British position is that they have sufficient supplies to last them for some weeks and that they wish to reduce their stocks.

If there should be no remedy to this situation, we shall have a debacle in the American markets, and with the advances of several hundred million dollars now outstanding from the banks to the pork products industry we shall not only be precipitated into a financial crisis but shall betray the American farmer who has engaged himself to these ends. The surplus is so large that there can be no absorption of it in the United States and it, being a perishable, will go to waste.

Mr. Davis and I have endeavored for the last six weeks to arrive at some cooperative action with the British agencies to forefend this situation and, as indicated above, the final result has been the refusal on their part to cooperate. We have suggested that the British Government should join with ourselves in the purchase of the necessary amounts of fats at our assured price to be resold to the liberated and enemy territories in order to prevent the above debacle, and this they have finally refused. I wish to assure you again that the prices we are maintaining are the very minimum on which our American producers can come out whole on the effort they have made in the Allied cause, and I cannot impress upon you too strongly the reaction that will arise in the United States if this situation falls to the ground.

With Mr. Davis, I have prepared the attached memorandum which I would like to suggest should be presented by you to the Allied Premiers at the earliest possible moment, as I cannot conceive that men with their vision as to the present situation will tolerate for one moment the attitude taken.¹

¹Following is the text of this memorandum:

MEMORANDUM FOR AGREEMENT WITH ALLIED PREMIERS TO COMPRISE A
DIRECTION TO THEIR VARIOUS GOVERNMENT DEPARTMENTS

It is impossible to discuss the peace of the world until adequate measures have been taken to alleviate the fear of hunger, its attendant anarchy, and its danger of possible further military operations. Therefore, before these peace negotiations can be opened auspiciously, it is essential to have the better feeding of the liberated, neutral, and enemy territories of Europe in actual progress as the foundation of stability in government antecedent to the settlement of the great problems that will come before the Conference. It is therefore agreed by the Allied and the United States Governments that each shall, without further de-

By this memorandum, Mr. Hoover attempted to secure some concrete acknowledgment by the Allied Governments with regard to the urgently needed food supplies for the liberated, neutral, and enemy countries. Mr. Hoover knew at first-hand how serious the situation was and that it was impossible to expect stabilized government when a large percentage of the people in these countries were suffering for want of food and many of their relatives and neighbors were actually dying from starvation. He further tried to secure a definite recognition by the Allies of their moral obligation with regard to surplus foods produced by the United States at their earnest solicitation. The immediate concrete proposal was that Great Britain, France, and the United States should jointly purchase 180,000,000 pounds of pork products in addition to the regular Allied programs and that this pork should be made available for sale to Germany on terms and conditions to be determined later.

The Allied Premiers, however, could not be induced to accept the terms of this memorandum. They were insistent that Germany must suffer until she was ready to agree to their terms and they would contemplate no advance action which

lay, furnish every possible assistance and facility required for carrying out the undertakings as to European Relief.

The United States has, in order to support the Allied Governments in war, provided large supplies of foodstuffs, many of them perishable, which would have been required by the Allies had hostilities continued. In order to accumulate these supplies, the American Government has given assurances and guaranties to their producers. The Allied Governments, as a result of the cessation of hostilities and the opening of other markets, no longer require the same amount of supplies from the United States as they have from time to time indicated by their programs.

This surplus is now required to meet the necessities of Europe and it is most fortunate that the surplus is available for these purposes. It would be disaster to the objects of the Associated Governments if the congestion in the United States should not be relieved so as to save waste and to meet the assurances given by the United States Government, and the Allied Governments agree to at once direct their departments to cooperate with the United States Food Administration to support these assurances, and the application of these foodstuffs to the needs of liberated, neutral, and enemy peoples.

Pending the more mature plans and settlements of the Relief Administration as to food, shipping, and finance, it is directed that immediate provision should be made from any available source of food supplies

might indicate that they expected to allow her food supplies. Furthermore, in spite of the strongest representation, the British could not be induced to reinstate their order for January. In explanation of their action the British officials claimed that they had on hand sufficient pork products for 16 weeks' consumption and that with their limited storage facilities they feared to accumulate any additional supplies of a perishable product at that time. There was, of course, no desire to force any nation to buy supplies which they could not use and which were likely to spoil on their hands. However, the United States did regard the Allies as jointly responsible for the increase in pork supplies and hence bound to do all in their power to assist in disposing of these products. If they were not in a position to take these products themselves they could at least relieve the situation by withdrawing the blockade against neutral and enemy territory and thus accomplish the double purpose of relieving both the American farmer and starving Europe.

for provisions to points of acute need in the Balkan States, the liberated peoples of Turkey, Austria, to Belgium and Poland, that such provision shall be retroactively the obligation of the four Governments pending more definite arrangements.

It is desirable that the Associated Governments should show their good-will toward the neutral countries of Europe by the immediate increase in the permitted importation of the surplus food commodities to these neutrals at once, being such amounts as the United States shall declare to be in surplus.

That it is necessary to at once give evidence of progress in the matter of food supplies to Germany and South Europe, and to this end the British, French, and the United States Governments will each at once give cabled orders for the shipment during the month of January of 30,000 tons of such fats (in addition to their orders for home consumption) as the United States shall declare available for these relief purposes. These foodstuffs shall be subsequently offered to Germany, subject to payment therefor and on other conditions that the Associated Governments may impose. That the Allied Governments and the United States will cooperate in the securing of such payment in a manner acceptable to each of the Associated Governments, and for providing the transportation of such foodstuffs. Before these supplies can arrive, the Relief Administration is expected to be working and to decide the conditions of distribution, of payment, and of further supplies and shipping.

These arrangements are declared binding upon all departments of the Allied and the United States Governments and shall be given immediate execution.

THE BRITISH POSITION

In this connection, it is only fair to state the position of Great Britain. That country had been through four years of the most terrible war the world had ever seen. She had lost heavily in both men and treasure. Her commerce was completely ruined; her manufacturing industries were disorganized; she had large numbers of returning soldiers, many of them maimed and crippled; a vast army of people had been thrown out of employment by the closing of the war industries; dissatisfaction with the high cost of living was being forcefully expressed on every side. British officials were under great pressure and they could hardly be blamed for seeking avenues to cheaper supplies. The Armistice had changed the whole situation, and the force of public opinion left the officials but little choice.

American officials were fully cognizant of this situation and, as Mr. Hoover stated time and again, there was no disposition to ask Great Britain or any other country to take supplies they did not need. What the United States wanted was real cooperation from the Allies in relaxing the blockade restrictions on areas where this food was badly needed. While these and other necessary financial and commercial arrangements were being perfected they asked the Allies to cooperate by continuing regular purchases of pork from the United States. This pork could later be disposed of to Germany, the neutrals, or other countries if the Allies found they did not need it or could purchase cheaper supplies in other markets. It was this kind of whole-hearted cooperation that Mr. Hoover wanted, and of which, as we shall see, he received but little.

OBSTRUCTION TO AMERICAN PORK MARKETS

Instead of actual cooperation there was much evidence that hindrances were being placed in the way of American merchants, largely as the result of the activities of certain minor British officials. Apparently these officials believed

that they were interpreting British public opinion in trying to secure a break in the American pork market and they believed that with our enormous production and stocks this could readily be brought about.

The evidence for this attitude is partly circumstantial but it included: (1) information to the effect that British stocks of pork were by no means so large as had been stated; (2) evidence of the transfer of all possible purchases to the Southern Hemisphere, wherever credits could be arranged; (3) the reversal of the decision of the Allied Blockade Council relative to the opening of neutral and enemy markets and the cancelation of Allied purchases occurring upon the same day, December 31, 1918; (4) evidence that cables to Washington sent through commercial sources were being delayed or censored.²

Further evidence of apparently concerted action was also obtained when it was found that the Swedish High Commission in Washington received instructions from the Allied Purchasing Commission that an order for 30,000,000 pounds of pork products which they were negotiating at Mr. Hoover's suggestion must be placed through Allied agencies and that Swedish breadstuffs should be purchased in Argentina in preference to the United States. From other sources such as Norway and Denmark, a movement was apparently on foot to discourage purchases in the United States. Also the American Consul-General at London reported:

It is not the present intention of the Food Ministry to buy any more American pork for government distribution, and it is the understanding on this side, that the American Food Administration is very much embarrassed by the steady accumulation of supplies. I am told that the problem is one for the American Government to solve in the best way it can.

²Following is a copy of a telegram sent in cipher to the British Chief Cable Censor signed by a major of the British General Staff, dated January 22, 1919:

Reference circulars 3,900 and 4,038, telegrams referring to supply and demand of bacon, ham, and lard, will no longer be specially held but will be dealt with on their merits; copies will still be sent to this office for information.

STEPS TAKEN TO AVERT CATASTROPHE

To combat this situation, Mr. Hoover undertook several courses of action. First, in a series of appeals³ to the higher officials of the Allied Governments, he attempted to persuade them to direct their subordinates to respect their obligations to the American producer. Next he redoubled his efforts to secure agreement on concerted action with regard to relief to the liberated countries and to put this into instant action. Finally, he continued with renewed efforts his struggle for the relaxation of the blockade restrictions upon neutral and enemy countries.

As already pointed out, the French and Italian food officials separated themselves from the British, and the French order for 160,000,000 pounds of pork for January shipment was reinstated, while Italy even increased her order from 33,000,000 pounds to 40,000,000 pounds. These, together with Belgian Relief, Swiss, and Swedish orders, filled about one-half of the American export needs for January. Additional orders placed by Mr. Hoover through the Relief Organization for the liberated countries and additional sales in other parts of the world, together with patriotic efforts by the American packers at Mr. Hoover's urgent request were sufficient to maintain the price of hogs during the month of January.⁴

³See Chapter IX.

⁴During this period the Food Administration urged the American packers to get into private trade with all countries where this was permitted. It was instrumental in having the War Trade Board restrictions on exports of pork removed from many countries and assisted the packers, both large and small, to secure space on Shipping Board vessels. Altogether the Food Administration arranged for the charter of 13 ships for the packers with which to open up trade with European neutrals. For the most part these supplies were sold abroad at a good profit, although some losses were sustained on some of the later shipments when it was found that many of the new countries had no means of payment except their local currency, which was unacceptable to the packers. Mr. Hoover at one time offered, in connection with the relief work, to take these stocks, accumulated in foreign ports, off the packers' hands at the Food Administration fair price plus transportation, but this the packers refused, still believing they could obtain higher prices by private sales.

IX

FIGHTING THE FEBRUARY SURPLUS

Implied moral contract with American producers. Letters to Allied Food Ministers. Attempt to get British program reinstated. Proposal for British February order. Letter to Sir John Beale. British refusal. Mr. Hoover's statement to farmers and packers. All pork products needed by Europe. Asked all parties to stand together in emergency. Stabilization maintained in spite of British refusal. Further correspondence with Sir John Beale.

THE position taken by Mr. Hoover with regard to the default of the Allied Food officials in carrying out their programs with the American producer is shown by the letters which he addressed to the Allied officials at this time. On January 2, 1919, two days after the cancelation of the Allied January orders for pork products, Mr. Hoover addressed identical letters of firm but temperate character to the Food Ministers of the three Allied countries, the Right Honorable J. R. Clynes of Great Britain; Monsieur Victor Boret of France; and Signor Silvo Crespi of Italy.¹

¹The text of these letters is as follows:

In personal conferences and communications which I enjoyed with members of the various Food Ministries in Europe, it was recognized that the pressure of the submarine warfare would drive the burden of the Allied food supply upon North America, and that it became of pre-eminent importance as a matter of safety of the entire Allied cause that the stimulation of the production of foodstuffs in the United States should be carried to the utmost. In accordance with these decisions, since demonstrated so correct, the United States Government undertook large policies of expansion in production. Price assurances were given at a level necessary to secure the production. These policies naturally ripened into direct soil production for the harvest of 1918 and in the increase of animal life parallel therewith. The undertakings were so eminently successful that it would have been possible to have carried the burden of Allied supplies from North America during the year 1919 had hostilities continued, which would have been of vital necessity, and the greatest satisfaction has been repeatedly expressed in Allied countries at this security to safety.

No guaranties of any character have ever been at any time required to produce foodstuffs for the supply of the American people and all guaranties have been solely for the purpose of creating surpluses for

In these letters, Mr. Hoover reviewed the history of the Allied food programs, pointing out that the United States, at the earnest solicitation of the Allies, had greatly expanded its production of food; that these undertakings had been so successful that if the war had continued the whole of the Allied food supplies could have been furnished from North America. These increases and the guaranties to our producers by our government had been entirely in the interests of the Allies. He further pointed out that although the Allied requirements for these products might be somewhat lessened by the opening of other markets, yet the conditions

the European Allies. These guaranties not only apply to the existing food supplies but also extend to next year's wheat crop.

With the change produced by the Armistice, however, the markets of the Southern Hemisphere naturally open themselves to the Allied world, and the restriction of marketing from that quarter over four years has necessarily produced a lower range of prices than has been necessary to assure in advance the securing of the increase of production from the United States. Naturally, the Allies desire to seek the Southern Hemisphere markets with a view to securing the cheaper foodstuffs. The result of this, however, is to leave the United States with surpluses of certain commodities beyond the present demands of the Allied countries.

Viewing the world's food situation as a whole, there is manifestly no surplus, even of American production, if the import of food into enemy, neutral, and liberated countries were released upon a normal scale. There would, in fact, be a shortage in some commodities.

This increase in food production in the United States is, therefore, still of the highest importance, for it becomes the supply through which the very life of many countries must be sustained, and the American people wish it used in a sympathetic manner for these purposes. With literally hundreds of millions of underfed human beings in the world, the spoilage and waste of a large quantity of food in the United States cannot for a moment be entertained, either by the American public or by the Allies. Many of the American surpluses are of perishable character, and instant action is necessary to prevent waste as well as hunger.

These foodstuffs, however, cannot at present reach many of those new areas freely, where they are so sorely needed, because of the blockade restrictions of many descriptions. The surpluses of American supplies are backing up and there is thus created a very threatening economic situation. Any failure to find solution to this position within the next few days would possibly precipitate financial difficulties in the United States, which would injure the hope of continued economic assistance to the Allies for a long time to come.

The American people are most desirous of safeguarding the supplies to the Allies and wish to extend to them the full meed for which they may call. Our present surpluses, however, in wheat, flour, barley, rye, pork products, condensed milk, and cottonseed-oils and various seed

in the liberated, neutral, and enemy countries were such that every pound of this food was urgently needed to save human life and to preserve stable governments. He therefore made three proposals to the Allies: First, that they each indicate as nearly as possible the amount of each commodity which they would certainly require before the next harvest; second, that all restrictions on neutral trading be removed; and third, that the enemy markets be opened. It was proposed that all of these plans were to be carried out in cooperation with the Allies and under such restrictions as would best serve the Allied cause.

These letters were supplemented on the same day by an additional letter to the British Ministry of Food, pointing out the particular difficulties in the pork situation.²

Mr. Hoover emphasized particularly the Allied program for pork which had been confirmed as late as December

meals, are above the demands of the Allied Governments between now and the next harvest. Other surpluses will develop later.

Therefore, I am directed to inquire if you will not recommend to your Governments:

(a) That you indicate as nearly as may be the amounts of these commodities which will safeguard your position from January 1, to the end of our crop year—July 1, 1919.

(b) That all restrictions upon neutral trading be at once removed in these commodities.

(c) That no objection be raised by the Allied Governments to direct or indirect sale and transportation to enemy countries or to the necessary financial transactions involved.

It is our view that private trading will contribute materially to relieve the food situation in many parts of Europe, will relieve our various administrations of much responsibility, and effect its own solution of shipping and finance, and, as such trading must be the ultimate solution of all these problems, we should advance it as rapidly as possible.

The United States, of course, wishes to fully cooperate in these matters and would, of course, coordinate with the Allied Governments in directing distribution to the various centers of need and would exert this through the control over its exports.

The President has directed me to present these recommendations as matters of the utmost urgency and the key to many settlements which are to be presently attempted.

Faithfully yours,

HERBERT HOOVER

²The complete text of this letter follows on page 99.

15, 1918, and the fact that the American packers, under direction of the Allied officials, had proceeded with the preparation and curing of these products and that they now had upwards of 150,000,000 pounds of products specially prepared for the British market. He emphasized clearly the moral responsibility of the British Government to take,

PARIS, JANUARY 2, 1919

The British Ministry of Food
Lancaster House
London, S. W. 1, England

GENTLEMEN:

The problem of taking care of the surplus production from the United States is becoming acute and requires further solution, or alternatively we will have an economic situation arising that will be a disaster to all the Associated Governments.

In further amplification of the letter which I addressed today to Mr. Clynes on this whole subject, I would like to point out the pork product situation as a case in point.

The original British program under war conditions called for an import, according to the various programs, of somewhere in the neighborhood of 50,000 or 60,000 tons (100,000,000 or 120,000,000 pounds) a month of pork products and lard. The producing conditions in the United States were adjusted to this originally and from the necessity of advance manufacture, preparations were made by the American packers to supply the particular cuts required by the British public. As you are aware, this curing has to be started 60 days in advance. The program of over 400,000 tons (800,000,000 pounds) of these products for January—March was repeated and established as late as December 15 and confirmed to our Washington office.

On the faith of these programs the packers were assured by the Food Administration that they should go ahead and make the necessary provisions, and they state that this advance curing was also confirmed by your representative.

I am advised from Washington that they now find themselves with some 45,000 tons (90,000,000 pounds) of Cumberland cuts and some 30,000 tons (60,000,000 pounds) of Wiltshire cuts in hand, ready for delivery in January. With the reduction of British orders to the basis of 20,000 tons (40,000,000 pounds) a month this, of course, produces an extremely critical situation.

It is the last of our desire to ask of the British Government or the British public to take a product which they cannot consume, and we are extremely anxious to come to some adjustment in the matter which will protect both sides. I cannot but feel that there would be the same desire on your part to meet the changed conditions produced by the war situation that there has been on our part to adjust supplies to the Allies' every need, and I would indeed be glad to know if you cannot suggest some further solution to this matter.

Faithfully yours,

HERBERT HOOVER

at the very least, these products for which they had definitely contracted.

These efforts, however, proved to be unavailing. The British food officials would neither agree to take any definite quantities of food products nor would they recognize their responsibility for the pork products prepared at their orders. None of the Allies would agree to open up the neutral and enemy markets.

However, Mr. Hoover did not stop in his attempts to get the British to take some responsibility in this matter. As pointed out in the preceding chapter, the Administration was able to squeeze through in January without a break in the hog market, but in the meantime the run of hogs was continuing unabated and threatened dire consequences for February. A cable to Mr. Hoover from Thomas E. Wilson, of the Packers' Committee, stated:

Hog price stabilization has reached critical stage. Arrangements made with Food Administration may break down unless hogs now arriving of correct weight and quality for English meats are so utilized. Unless European shipments are maintained, packers' storage facilities, now fully utilized, will make full killing impossible.

PROPOSAL FOR BRITISH FEBRUARY ORDER

In this situation Mr. Hoover made another proposal to the British Government by which it would agree to purchase approximately 200,000,000 pounds of pork products before January 25, for February delivery or payment. This order, to be known as the February order, was to be considered as available for resale in Europe under certain conditions, namely, that resales to neutrals or Germany either from these February shipments or from current stocks in the United Kingdom were to result in dollar credits to be turned over to American sellers. The British and United States Governments were to mutually agree to withdraw all import and export restrictions on pork products, beef, and con-

densed milk on February 28, 1919. Both governments were to abandon all purchase, support, or control of the pork market on that date with the intent that normal trade relations were to be reestablished in these commodities. It was Mr. Hoover's view that the Allied purchasing agency was serving to reduce the demand below that which would be required if commercial dealings were reestablished.³

In regard to this proposed agreement, Mr. Hoover, on January 22, 1919, wrote to Sir John Beale, at that time

³The full text of the proposal submitted to the British by Mr. Hoover is as follows:

It is agreed as follows:

1. The British Government will place orders for 100,000 tons (200,000,000 pounds) of pork products in the United States before January 25, for February delivery or payment.

2. Of this order, 16,000 tons shall be considered as replacement of sales already made to neutrals and the value thereof shall be made available to the United States Treasury in dollars or neutral credits.

3. These remaining 84,000 tons on order, or similar amounts to be advanced by the United Kingdom for current stocks, together with 20,000 tons belonging to the United States Food Administration now en route, shall be considered as available for resale in Europe under the following conditions:

(a) In case of sales to neutral countries, the orders for such sales to be transferred to such neutrals in the United States and thus the neutrals will pay directly therefor.

(b) In case of sales to Germany, the cash therefrom is to be transferred to the United States in payment for these orders.

(c) In case of sales to liberated countries or reserve for their own use, the U. S. Treasury will advance the necessary amount to pay therefor in the usual manner.

4. The British and United States Governments mutually agree to withdraw all import and export restrictions on pork products, beef, and condensed milk, on February 28, 1919.

The British Government agrees to abandon all purchase of pork products through the government and allied purchasing agencies after February 28, and the United States Government agrees to withdraw its requirements of governmental approval of such purchases at the same date to the intent that normal trade relations are reestablished in these commodities.

5. If the British Government shall have stocks at February 28 which they wish to dispose of abroad, they will refund in dollars to the United States Treasury on our produce—or with the consent of the United States Treasury use such funds for additional purchase of food in the United States—the amounts received for such purposes unless supplied to liberated countries under the programs of the Supreme Food Council.

the British representative on the Supreme Council of Supply and Relief in Paris, as follows:

My dear Sir John:

In laying before your colleagues the memorandum of a contract for winding up APEC and governmental food purchase of other than cereals in the United States, and in particular, for winding up the position with regard to pork products, I would be glad if you would make clear to them our point of view. I would first like to mention that the contract has, of course, not been submitted to the United States Treasury, as it appeared to me that it would be necessary that the Food Departments should be in accord before the Treasuries were approached.

I scarcely need to review the point of view that we hold so strongly, that these United States surpluses in food were created solely for the benefit of the Allies, more predominantly for the United Kingdom. That especially the perishables must be disposed of, as created, or there will be terrible waste at a time when they are critically needed. Furthermore, we cannot help but feel that there is a certain moral obligation resting upon the Allies to join with us in a liquidation of these obligations. More particularly do we feel that because of the programs laid down by the Meat Executive and ratified by the Inter-Allied Food Council for our guidance we created raw material, facilities, and manufactured products, and in so doing we undertook large moral obligations to our farmers. The only one of these obligations which we are unable to liquidate ourselves alone is pork products, which are so eminently perishable and must be immediately exported, while the many other commodities which are in the same economic position we can care for ourselves.

Furthermore, as advantageous as the consolidated buying agencies of the Allies have been during the war, immediately upon the Armistice the point of view of such operations naturally changes entirely from the attitude of maintaining an assured and continuing production to solely the attitude of a day to day buyer. The agency is so potential that it can effect arbitrary fixing of prices and such powers can only be justified to your people and ours under war conditions. From our point of view, such an agency must (in accordance with the agreed policy which has been followed heretofore) be continuous and regular in its purchases, for otherwise it can, by failure to maintain regular flow, fix prices fictitiously below real costs and values, may precipitate financial crises, and, on the other hand under pressure from outside, it may equally result in the fixing of prices at a higher

level than is justified under the new economic conditions. The whole continuance of this agency is fraught with the greatest danger from both sides and I am equally solicitous with you for its dissolution.

In order to dissolve, however, it is necessary that on both sides a sufficient notice should be given for the trades to readjust themselves and, in the meantime, that the market on our side and the distribution on your side should be protected. We have the last desire to ask the British Government to purchase a commodity beyond their average consumption, but I think we are justified in asking that so long as these agencies are to be continued they should carry out the already indicated advance requirements in regular monthly purchase of these particular commodities. The failure of the British Government to order in January the quantities indicated to us of the material prepared for your peculiar consumption had a most critical economic danger to the United States, which if allowed to run its course must, I feel, react on all British interests as well as our own.

The final government order which I propose would not only fairly liquidate the outstanding position but would do so at the minimum risk to the British Government. There can be no question that Germany and the liberated territories will be a purchaser during February and March of large quantities of pork products which would be available under this arrangement. Further, I feel that this course will ultimately liquidate the whole situation for the British Food Ministry with respect to the stocks that are already held.

I assume that the Italians, Belgian Relief, and some of the neutrals will be in the market in February in addition to this order, and that we should therefore be able to produce orders for approximately 350,000,000 pounds of pork products. Such a situation would, I feel, wind up all moral commitments on the part of the United States Food Administration towards the producers and all the Allies towards our production policies. As I have said above, the United States Food Administration can, out of its own resources and its own methods, finance the obligations it has taken to our producers in many other commodities, the pork products being the one of such peculiar character that we cannot handle it single-handed. I feel in all the circumstances that we are justified in asking for joint action in this matter. The subject is one of extreme urgency, as orders must be telegraphed before the 25th instant, and I do hope you will give me an early indication.

Yours faithfully,

HERBERT HOOVER.

On January 25, 1919, Mr. Hoover sent an urgent message to the British Food Ministry pointing out again the evident obligation of the British Government to assist in liquidating the American pork situation and the urgent necessity to act at once. He emphasized the necessity for the consolidated Allied Government buying organization to dissolve as quickly as possible unless it intended to pursue the policy of regular and uninterrupted buying, and the far-reaching consequences if this organization was used for the purpose of breaking the market or artificially fixing prices.⁴

Again, Mr. Hoover's efforts were doomed to failure, and the British food officials refused to accept his proposal for

"The full text of this message is as follows:

British Food Ministry
London
England

DEAR SIRS:

In review of the situation in my letters to Mr. Clynes and the British Ministry of Food of January second it appears to me that the time has urgently arrived when the British Food Ministry in justice to the American farmer who has, at so great an effort and out of patriotic desire to comply with the urgent requests from the United Kingdom for the provision of an adequate supply of fats, produced these fats far beyond any commercial justification of his normal market, should now have a definite position of one or two alternatives. First, either the British Food Ministry should accept the financial responsibility for the moral obligation which has been acknowledged by many of its members and make such purchases for the month of February as will protect the American farmers' prices under the arrangements by which the American packer is compelled to prepare these products at a profit to himself of not more than one-quarter of a cent a pound. Or, on the other hand, that the whole of the market of Europe (except, of course, the enemy other than agreed ration) should be thrown open to him without any restrictions and that the governmental buying agencies in the United States should be immediately withdrawn and the trade allowed to return to its normal basis of supply and demand. The continuation of these agencies, unless they carry out the moral obligations and make their purchases on the basis of a fair return to the farmer, will surely be interpreted as a menace to fair trade.

The American farmer will entirely realize that conditions have no doubt changed with the Armistice and will not wish to insist on his product being purchased where it cannot be used, but he will rightfully resent it if, as a result of this situation, advantage were taken to make artificial prices against him. I cannot imagine any situation that will cause more criticism than for the British Government at a later stage, through consolidated buying agencies like APEC, to enter the American

February. They assigned, as a reason, the policy of the United States Treasury in not being willing to finance continued purchases of other materials during the Armistice period.⁵

Mr. Hoover cabled this discouraging information to Washington on January 25, 1919, and at the same time sent a detailed statement of the whole situation to be placed before the Agricultural Advisory Committee, representatives of the live stock commission men, and the packers who were called to meet in Washington on January 28, 1919. In this statement Mr. Hoover reviewed clearly and forcefully the various measures that had been taken to increase food production at the urgent request of the Allies, until in place of some 5,000,000 tons of food which we averaged to export each year before the war, we were in a position to export more than 15,000,000 tons in 1919. All of this and more would have been needed if the war had continued, but the Armistice had created a temporary slackening of the demand. On this he said:

We are thus faced with a serious problem with respect to our own great food surplus, so earnestly accumulated. If an early peace is signed and the markets of Europe are opened freely to trade, there will be a greater demand for food from new mouths

market and acquire large quantities of produce at a depreciated price, this price being the result of maintained artificial commercial condition.

A periodic conference has been held with the representatives of the American farmer, the representatives of APEC, in which the policies were determined from time to time to the satisfaction of all parties. Such a conference is to be again held on next Tuesday, the 28th inst., to determine the policies to govern the month of February. If the representatives of APEC are not prepared to attend and take such an allotment of products under the condition to be actually agreed there, then this conference must be notified in all justice to British interest and to the American farmer that APEC has entirely withdrawn from the field and that the world markets, including the United Kingdom, but of course with enemy restrictions, are coincidentally thrown open to the normal course of trade. The matter is therefore one of urgent care, in which I have but one interest and that is to see that there is a fair arrangement all round.

Yours truly,

HERBERT HOOVER

⁵See Chapter X for discussion of this subject.

than even this surplus could supply. But, in the period between the Armistice and Peace, we have a very difficult situation.

Speaking particularly of pork products he said further:

We have found it possible to protect the American farmer in the 2½ months since the Armistice. The next and last 6 weeks of the high fat production will be still more difficult to manage, as peace cannot be expected in that time, restoring extended markets. On the other hand, five-sixths of this problem is already completed, and by next May, if we have peace and freedom, any surplus that accumulates now will be turned into another world shortage of fats; indeed, if the entire consuming population of the world were able to obtain fats today, there would be a shortage at this moment even with our great surplus production.

In ending this statement Mr. Hoover pointed out that the real solution lay in the hope of an early peace and the steady demobilization of all restrictions of free marketing, including the retirement of the consolidated buying agencies of the Allies. He said further:

It is, however, no more possible to demobilize, in a week, the whole of these intricate forces set up during the war than it is to demobilize our army by dismissing it on the field, and, pending these solutions our American farmers, merchants, packers, and bankers simply must stand together for two or three months to carry our excess surplus over until the markets of the world have been more extended and finally liberated by peace.

Despite the apparently inevitable breakdown in hog prices at this time, Mr. Hoover did not give up but kept steadily at the problem, first from one angle, and then another. He had already placed large advance orders for pork through the Food Administration Grain Corporation in anticipation of the needs of the liberated countries as soon as relief plans were perfected. These orders were now still further increased. He also succeeded in getting the Commission for the Relief of Belgium to increase their purchases, with the promise that any surplus should be sold to Germany as soon as that market was open. With the same promise he persuaded the Italian Government to increase its pork

purchases by some 40,000,000 pounds. He succeeded in selling additional quantities to the neutrals and in getting the American Army to continue steady purchases in accordance with their anticipated needs.

These measures were barely sufficient to relieve the market of its most burdensome supplies. But through the co-operation of the packers, (at the urgent request of the Food Administration) the price of hogs was maintained during February, although storage stocks rose to heights which neither before nor since have ever been equaled for this time of the year.⁶

In March, 1919, the German market was opened and the blockade restrictions relaxed. This gave the outlet for American pork for which the Food Administration had so earnestly labored. However, this result was not secured without strenuous efforts on the part of the American officials in Paris. Before taking up the details of how these advance purchases of pork were liquidated, it will be necessary to point out some of the negotiations entered into at this time and to discuss the steps taken to secure the relaxation of the blockade and the opening of the enemy markets.

CORRESPONDENCE WITH SIR JOHN BEALE

The following interchange of letters between Mr. Hoover and Sir John Beale of the British Food Ministry throws much light on the points discussed in this chapter and shows at first hand the points of view maintained by each side in the controversy. On January 27, 1919, Mr. Hoover wrote to Sir John as follows:

MY DEAR SIR JOHN:

My understanding of the result of the discussion this morning is that the British Government considers itself under obligations to immediately replace an equivalent order in the United States for any pork products resold by the British Food Ministry

⁶See Figure 8, page 67.

to neutrals or otherwise outside of the United Kingdom, and to pay for these orders with the exchange received and that this will be the case if sales are made to Germany from U. K. stocks as well.

It is my further understanding from you that the British Treasury finds itself unable to accept my proposal of a purchase of the 100,000 tons of pork products specially prepared for British consumption in accordance with the programs presented to us by the Food Council in November and December, unless the United States Treasury is prepared to arrive at a complete understanding as to the financing of all U. K. requirements in the United States. You, of course, know my personal feeling, and that is that the U. K. should continue to have economic support from the American people and I am anxious that the Treasury should give an indication of this continued support, but, of course, I cannot expect the United States Treasury to enter into unlimited obligations in order to assist the British Food Ministry to carry out the requisitions made on us even at the cost of a crisis in the American food markets. I am convinced, however, that the failure of the British Government to carry out this program which was provided for her benefit alone is short-sighted, for the results of this failure will be a distinct contribution to the weakening of the economic strength of the United States and therefore of her ability to come to the assistance of the Allies.

The situation, of course, has been under discussion now for nearly two months, and as grievous as is the wrong done to millions of people who have exerted themselves on behalf of the Allies, I have not any doubt that our people are strong enough to stand this and many other financial shocks. As indicating my desire that nothing should arise out of these discussions which would tend to prejudice the position of the English people in the United States, I send for your files a copy of the statement I showed you this morning.

Yours faithfully,

HERBERT HOOVER

The statement referred to in this letter is that made to the American farmer and packer by Mr. Hoover which was quoted and discussed above (page 105). In answer to this letter Sir John replied to Mr. Hoover in the following letter, which gives a good summary of the British attitude from their own point of view.

HOTEL MAJESTIC,
PARIS

January 28, 1919

MY DEAR HOOVER,

Many thanks for your letter, received late last night.

The statement enclosed is a very fair one, and I do not think it could be improved on for purposes of publication; but as a permanent record it would of course require the addition of paragraphs referring to the fact that the definite and repeated announcements of the U. S. Treasury of their determination to demobilize, immediately, the wartime financial arrangements, have greatly added to the difficulties of Food Controllers on both sides of the Atlantic, and that the Food Administration has itself so lacked funds as to be prevented, up to the present time, from utilizing the demand from liberated, neutral, and enemy countries fully for the relief of the overstocked U. S. position.

I should prefer to record our exchange of views in somewhat different terms. I know we think very much alike on this difficult question, and I am sure you will forgive my saying that, as your letter records it, our conversation has the appearance of a somewhat reluctant and grudging bargain. Our position is that, while the British Government earnestly desires to take every reasonable action which would help to relieve the overstocked positions in Canada and the United States, it is not only the Government but the British trade view that no real relief can be expected until the United Kingdom trade can be freed and consumption in England brought back to its normal level, and that neither the one nor the other object can be attained while excessive stocks are held; and it must be remembered that these excessive stocks are the result of large purchases, which helped the U. S. position in the later months of 1918.

As regards your first sentence, our desire would be, while acknowledging that credits resulting from resale of commodities purchased in the U. S. out of Government credits should be expended in the U. S., to defer such expenditure for the moment, and if possible leave it to the agency of private trade, hoping by doing so to hasten the resumption of private trade, which can alone really end our difficulties. I must remind you, however, that resales do not necessarily bring us dollars and that the possibility of replacement of purchases may still have to depend on the action of your Treasury.

As to the 100,000-ton suggestion, I would also desire to state my position somewhat differently. My view is that the British

Treasury could not be justified in borrowing money from the U. S. Treasury to pay for pork products which can neither be consumed nor stored in the U. K., at a time when it is entirely uncertain whether any finance will be available to meet the remaining different and urgent British needs in the U. S., and when the possibility of obtaining relief by reexport of any substantial quantities to Germany is not yet established. Further, if we did agree and the possible relief from reexport should not be realized, infinite harm would be done, as U. K. stock would be increased beyond the level which can be reasonably handled, and the freeing of trade would be indefinitely postponed.

To sum up, we acknowledge with gratitude the success of your country's efforts to provide food, and deeply and sincerely regret that the otherwise satisfactory change in the situation should have placed U. S. producers in such difficulties, and will take our fair share in any comprehensive remedial scheme which promises to be effective. But, if I may speak frankly, the first step seems to me to be to secure that the U. S. Treasury will continue the whole-hearted cooperation in the general effort which has had such splendid results in the past, and secondly, that the U. S. Government should clearly define its position in relation to finance for relief. Until these two points are cleared up, we shall be in continual difficulty. At the same time, there is a possible palliative. If the British Treasury will face a loss on the bacon stocks we hold, consumption will be stimulated and the freedom of trade brought nearer, and I shall push on in this direction as quickly as possible.

The proposals made in your letter of the 22nd were very much on these lines, and the Ministry of Food are working on them in London, and I hope to have something more definite to say to you in a day or two.

Yours sincerely,

JOHN BEALE

To this letter Mr. Hoover replied as follows on January 29, 1919 (*Italics not in the original*):

MY DEAR SIR JOHN:

Many thanks for yours of January 28. The real issue is whether the British Ministry will meet what we must conceive to be an obligation to complete the purchase of the January-February program of fats that was supplied to us, and which our farmers and packers have prepared for you. I have already suggested that I felt we could cooperate to dispose of any excessive

stocks by counter-sales. I can imagine that you contemplated when asking for these programs that the United States Treasury would finance them as in the past and if our Treasury refuses I can understand your feeling of release from the obligation. *Our Treasury informs me that no application for finance for food has been made by the United Kingdom.*

If the British Government does not intend to act as above, I feel that the United Kingdom can at least accede to the representations I made over a month ago to take off every obstruction to our food merchants and farmers, leaving a free market for their products to every quarter and thus not promote the crisis now in progress in the United States to a point below the cost of production. If this had been done we would have been saved the panic we are in today.

I am hardly able to appreciate that we have shown any delay in doing our share in relief. Since we first made proposals in this matter on December 1, we have shipped, from the United States, relief food to the cost of a little over \$100,000,000, an amount many times greater than the other partners in the enterprise.

Yours faithfully,

HERRERT HOOVER.

X

U. S. TREASURY POLICY BLAMED BY BRITISH

War-time sales to Allies financed by United States Treasury loans. Conditions under which loans were made. Allies notified in January, 1919, that Treasury advances would cease except for outstanding contracts. British assigned this as reason for discontinuing pork purchases. Correspondence with Secretary of the Treasury. Loans never refused for purchase of pork or foods. Enforcement of Treasury agreement relative to resales by the Allies.

As shown by statements and quotations in the preceding chapters, one of the prime reasons assigned by the British for their failure to complete the pork program was the attitude of the United States Treasury towards further loans to the Allies for general reconstruction purposes. To understand this situation it is necessary to review briefly some features of the international financial relations during the war.

Even before our entrance into the war, our export trade, largely foodstuffs and war munitions, had increased until our excess of exports over imports was nearly four times as great as pre-war. These purchases had been financed by the sale of securities and by private credits floated in the United States by the Allied Governments. After the United States became a participant in the war, the credit of the United States Treasury was opened to the Allies through the acts of Congress. The money for these credits, as well as that to carry on our own war measures, was raised through the Liberty loans.

The conditions under which the United States Treasury loaned money to the Allies under the war powers included, among other things, (1) that the money should be spent in the United States in the purchase of materials necessary for the conduct of the war; (2) that no commercial use should

be made of these commodities which was not directly concerned with war purposes. In other words, resales of these commodities should be made only with our consent and with the understanding that such sales would be followed either by a refund of the money borrowed or by the repurchase of equivalent amounts of goods financed by the proceeds of the resales.

Shortly after the Armistice the Treasury notified the Allied governments that further advances from the United States Treasury would not be made except such as were necessary to liquidate outstanding contracts. The attitude of the Treasury was, that a period of readjustment was bound to take place, that continued financial assistance by our government to the Allies for new purchases would simply delay and aggravate this readjustment. The Treasury stated that the Allied governments should have no trouble in floating private loans in the American market and that this method would be better than for our government to continue to float Liberty or Victory loans with which this country was already oversupplied.

On January 2, 1919, the Secretary of the Treasury wrote to Edgar Rickard, in charge of the U. S. Food Administration in Washington, stating that the Treasury was "now planning to discontinue loans to foreign governments as far and as soon as possible" and asking if the Food Administration had any outstanding questions with any governments which it desired the Treasury to take into account in making final arrangements with the Allied governments. Mr. Rickard replied to this letter on January 13, on instructions from Mr. Hoover.¹ He pointed out the vast surplus of food

¹The text of Mr. Rickard's reply is as follows:

January 13, 1919

Honorable Carter Glass
Secretary of the Treasury
Washington, D. C.

DEAR MR. SECRETARY:

Referring again to your letter of January 2, which I communicated by cable to Mr. Hoover, I am instructed to advise you that between January first and July first we shall have apparently a surplus for ex-

which the United States would have for export during the next six months and urged that, both for the security of the American producer and for the security of the peace of the world, the Treasury would continue to permit loans to the Allies for food purchases.

The Treasury was, of course, concerned with many diffi-

port of four hundred million bushels of cereals and feed, and fifteen hundred thousand tons of animal products. The total f. o. b. value at present prices is about one billion five or six hundred million dollars.

A certain amount of this food will be bought by neutrals, liberated peoples in the enemy countries, and possibly certain of the Allies for normal exchange, but others must, at least pending peace, buy on credit. It is, of course, impossible to give but the roughest guess as to the proportion. Judging by the probable program of neutrals, they will absorb about four hundred million dollars' worth; enemy could absorb three hundred million, but there may be some opposition to extracting that amount of negotiable exchange from them, although this may be overcome.

The relief areas for which the new appropriation is asked, may be able to absorb on their own resources one hundred million dollars' worth of America's food in addition to the amount of the new appropriation, and they will, of course, buy some food in other markets or through neutrals. In any event, possibly one-half of this food must be sold on credit of some kind. This will, however, also depend on date of peace, for after peace the outward movement of commodities from Europe should take care of our exportation and this may come even prior to peace if there be some relaxation of blockade measures during the Armistice.

Our strong view is that, for the present, the principle of extended credit should be adopted by the Treasury to all of the governments who have already received loans from the United States. We have already had an acute example of the danger involved in indirect credit in the direction given by the British Treasury to cease all purchases in the United States because of fear of curtailing their food credit. If our prices break in consequence of this action, we shall have established a price level for our commodities below the cost to our producers and while these foods will be eventually needed by the world they will be disposed of for much less than above total sum to the United States. All the neutrals and others who pay in acceptable exchange will participate in these lower prices, as well as the governments which do receive credit.

It is our view that the food supply to Europe is a matter of vital importance to our defense, for increase in disorder will make peace impossible and involve us in further military operations. Credit freely given to Allies for food will greatly reduce this danger.

Faithfully yours,

EDGAR RICKARD

Acting for Herbert Hoover
U. S. Food Administrator

cult problems of its own, not the least of which was the coming flotation of the Victory loan for upwards of \$5,000,000,000. The Treasury believed it would be much better and more satisfactory for the foreign governments to float their own loans in the American market. The Treasury expressed its willingness to make such loans as were shown to be necessary to enable the Allies to secure essential food supplies but refused to consider the possibility of losses by American producers as any justification for granting further credits. As a matter of fact, the Secretary of the Treasury expressed the view that a drop in food prices would be very desirable for the country and suggested that if there were any obligations to the farmers they should be met by direct appropriation and direct payment rather than indirectly as Mr. Hoover proposed.²

²The following is the text of the letter from the Secretary of the Treasury which expresses his views on these and other matters:

THE SECRETARY OF THE TREASURY
WASHINGTON

January 16, 1919

DEAR MR. RICKARD:

I have your letter of the 13th instant, in which you state the view of the Food Administration that the Treasury should adopt the principle of making loans to the governments which have been in receipt of loans from the United States to the full amount of their food purchases between now and peace.

I have carefully noted the information which you give as to surplus of food products between January 1 and July 1, and I appreciate the benefits arising from the policy of assisting financially the supply of food to Europe by reason of the fact that such assistance facilitates the marketing of surplus products.

I am satisfied that the supply of essential foods to countries at war with Germany is in the interest of the national defense and am prepared to exercise the powers of the Treasury for this purpose. I realize also that in other European countries the food situation is the vital factor in the political situation, and I have been glad of the opportunity to support the President's request to the Congress for appropriation of \$100,000,000 to be used in the supply of foodstuffs to countries to which loans cannot be made under existing law.

The principle which the Food Administration suggests, however, goes further than is legally possible, or, in my judgment, desirable. The Treasury has taken the position that the Allied governments should restore their trade with this country to the ordinary commercial channels as fully and as promptly as possible and should use other methods of providing dollars, which are reasonably available to them, besides loans

In reply to these suggestions by the Treasury, Mr. Rickard, on instructions from Mr. Hoover, made the following reply, which presents the attitude of the Food Administration on these questions:

January 24, 1919

The Honorable Carter Glass
Secretary of the Treasury
Washington, D. C.

DEAR SIR:

We have your letter of the 16th instant, and I am instructed to state, in accordance with cables received from Mr. Hoover, that he fully appreciates the very weighty reasons which you advance for the hesitation on the part of the Treasury to make further advances to the Allies, which might result in maintaining through them of artificial price levels here.

We too are impressed with the extreme desirability of the re-

from our government. Great Britain, for instance, has great financial resources and excellent credit, and, with hostilities ended, I am confident and am advised that she could readily place a substantial loan in our markets.

The Treasury is now confronted with the problem of raising a sum which in the most favorable circumstances cannot be less than \$5,000,000,000 at a time when patriotic enthusiasm growing out of the war has largely abated; when heavy taxation is being levied; and when industries are in the difficult period of transition from war to peace activities. Our outstanding Liberty loans are quoted at a discount which makes them compare unfavorably with first-class railroad securities. This condition is due not to any feeling that the railroad bonds possess greater security, but simply to the enormous weight of Liberty bonds resting on the market. Every hundred millions of foreign government expenditures in America which is financed by our loans adds to this burden. If, on the other hand, these expenditures are financed by foreign government loans or in other ways, I believe and am advised, such financing would be easily cared for and would not impair our ability to raise our Liberty loan requirements.

Your letter points out that as a consequence of the Treasury's urgent indirect financing for the Allied Governments Great Britain has reduced its food purchases and that a fall in food prices is feared by the Food Administration as a result of Great Britain's action. If Great Britain can dispense with the foodstuffs in question, I am clear that the Treasury should not make loans to induce her to take them. It is the view of the Treasury that a fall in food prices, while causing some loss or loss of profits to the raisers and packers of food, would be a benefit to the general community and have a stimulating effect on industry. A general readjustment of prices is inevitable and industries will pursue a halting and timorous policy and be at a marked disadvantage in international trade until this fall has taken place. Food prices are largely the key to the whole situation, and in the interest

establishment of free normal trade in American food commodities and that they should, at the earliest practicable moment, resume the natural levels of price and be freed from any artificial control.

Mr. Hoover fears, however, that the Treasury overlooks the fact that there can be no freedom of price upon perishable commodities which are preeminently dependent upon markets, so long as the whole supply of these European markets is massed in the hands of consolidated buying agencies such as the Allied Provisions Export Commission, which practically dictates not only the buying power of the three Allies, but also, to a large extent, that of the European neutrals. These agencies have been of extreme use in coordinating the shipping, finances, and supplies of the associated governments during the progress of the war. In this period their policies were dictated in entire coordination with that of the United States.

A new relation, however, has supervened as the result of the Armistice. These agencies now represent solely the interests of their buyers in the American market, and they are able, in respect to some commodities, to arbitrarily fix the American price. The

of the country as a whole I am satisfied that a reduction in food prices would be advantageous rather than the contrary.

I understand that as to some commodities the Food Administration feels that the United States is under a moral commitment to assure to the growers or packers reimbursement of cost and a reasonable profit. The Treasury has consistently taken the position that obligations of the United States should be fully respected, but met by direct appropriation and direct payment and not indirectly through the use of governmental powers granted for other purposes to prevent artificially a fall in prices.

For the reasons set forth, the Treasury, while willing to make loans that are shown to it to be necessary to enable the governments at war with Germany to secure essential food supplies from the United States, feels compelled to insist on the respective governments using every means reasonably available to them to finance their needs in other ways, and cannot regard the disposal of surplus food products as justifying in itself the granting of loans.

In reaching this conclusion the Treasury fully appreciates that the unexpectedly early cessation of hostilities has confronted the Food Administration with serious problems, but its ability to assist in the solution of those problems is restricted not only by legal and economic considerations, but also by the magnitude of the task with which the Treasury itself is called upon to deal and the accomplishment of which will impose a severe strain not only on the Treasury but on the entire banking and financial system of the country.

Yours very truly,

CARTER GLASS

EDGAR RICKARD, ESQUIRE,
United States Food Administration,
Washington, D. C.

withdrawal of these agencies from the market for perishables for a single month can produce a total collapse of price, and one which would force market prices far below the natural level. Such a result may be of complete disaster to American producers.

Many of these food commodities have been created in quantities far beyond American needs, and upon programs furnished by the Allies. This would have been of vital importance had the war continued. By deserting our American markets for other markets, situations are created of the most harmful order. Mr. Hoover has insisted since the Armistice that, so long as these buying agencies are continued, they must maintain a steady flow of purchases in the American markets. They have, however, given as an excuse for recent withdrawals, the fact that the even flow of American Treasury loans has ceased.

There can be but one solution to these matters and that is that if the Treasury abandons its advances there must be a correspondingly entire abandonment of consolidated purchase and the entire abandonment of control within the United States. To attain these results Mr. Hoover has earnestly devoted himself for two months in Europe.

With every good-will on all sides it is necessary, in order to reconstruct normal trade and commerce, that a sufficient period of notice should be given, during which the Allies continue their flow of purchases in order to prevent the most serious result to the American producer. The problem is not one of asking the Allied governments to buy more commodities than their people can consume, but it is a problem of asking them to buy continuously in such amounts as are apropos to their consumption.

The export of surplus pork products from the United States during the present productive season amounts to more than one-half of the inspected slaughter. *A withdrawal of foreign purchases for one month would not mean that prices would take a normal level, but, due to the large proportion of exports, it would mean that the price of hogs to the American farmer would decline \$5 a hundred from the level of \$17.50. Enormous waste in this commodity and financial embarrassment of the most serious order would result.*³ Happily Mr. Hoover was able to repair the withdrawal of the British orders in January by securing some partial amelioration of blockade conditions, and increased shipments to neutrals.

This withdrawal of the British Government from the hog market in the month of January does not mean that their people have

³Italics not in the original.

ceased consumption of pork, but merely that they will return to the market at a later date on a much larger scale, and presumably at an artificially depressed price.

Had it not been for the unsupported January orders which were put in, it is probable that a price level 35% below the present prices would have been established and this will take place in February unless a solution can be found.

No one has been more solicitous during the entire period of the war to secure a moderation in price level to the consumer than has the Food Administration, but to secure low price levels at total injustice to the American farmer and possibly including the collapse of financial institutions and business organizations in the United States, is not something one can approach without fear.

All Mr. Hoover has asked, is that the Treasury should support the situation in this critical commodity, pending the time that free trade can be created. The Food Administration is not interested in supporting the profits of the packing industry in any way. It is interested in preventing injustice to American farmers by the play of international action excusing itself as lacking cooperation from the American Treasury.

The suggestion of the Treasury that direct compensation should be given by Congress is one we sympathize with, but Mr. Hoover feels that even assuming Congress favorable to such a suggestion, the Treasury should consider that if such compensation were attempted, it would have to be delivered into the hands of some 15 million producers and in uncertain quantities. The detail of the financial cycle thus established would be almost unimaginable. On the other hand, advances for February and March from the United States Treasury to Allied governments, probably not exceeding, in the final balance, more than 40 to 50 million dollars, would save the American swine producer this amount in February alone, if such lack of support results in a broken market. This would save the situation. In this period free trade could be created. For the government to invite direct claim of compensation would involve expenditure of several times this sum and without Allied obligation therefor.

Mr. Hoover greatly appreciates the fine cooperation of the Treasurer in the whole problem of European food supplies, and feels that this final disentanglement of American industry will meet his sympathetic consideration when the whole situation has been brought to his attention.

Faithfully yours,

EDGAR RICKARD

Acting for Herbert Hoover
United States Food Administrator

In reply to this communication, the Secretary of the Treasury wrote on January 29, 1919, in part as follows:

At the present time the British Government has a balance of credits established in its favor with the United States Treasury of \$123,981,000 which it is free to expend in any way that it sees fit. The Treasury believes that Great Britain is in a position to provide itself with additional funds on reasonable terms without recourse to the United States Treasury. The United States Treasury has no information as to the prospective British purchases in the United States. If the British Government should submit to the United States Treasury a statement of its requirements in the United States, and of the steps which it is taking, or proposes to take, to avail itself of other financial resources, the Treasury would be prepared to give sympathetic consideration to a request for such additional credit as the facts disclosed might warrant. I would add that the Treasury has not received from the British Government, since the last credit was established early in December, any request for an additional credit to be applied to the purchase of meats and fats.

Therefore, so far as concerned the granting of any additional loans which might be necessary to enable the British to carry out their moral obligation for the purchase of pork, Secretary Glass was ready to support Mr. Hoover. However, it was obvious that the British did not want additional credits for foodstuffs alone, nor were they willing to use from the credits already established and available, the 40 to 50 million dollars needed to support the American hog market with buying orders. What the British really wanted was further credit from the United States Treasury to finance numerous other projects connected with the reconstruction period,⁴ and pressure was being put on the American Food Administration to secure these. The British economic situation at this time has already been discussed⁵ and they were faced by many serious problems. However, Mr. Hoover contended that the Allied obligation to the American producer was an entirely separate matter and that so long as food credits were available and so long as the Allies in-

⁴See letter from Sir John Beale, quoted on page 109.

⁵See page 93.

sisted on maintaining their consolidated buying agencies, then they were in duty bound to continue regular buying and to assist in opening other markets for such surplus as they themselves could not use. Nevertheless, no British orders for pork were placed, and Mr. Hoover was forced to find a solution for his problems in other quarters.

ENFORCEMENT OF AGREEMENT RELATIVE TO REALES
BY THE ALLIES

One of the terms of the Allied contract with the American Treasury was that food products purchased with money advanced by the Treasury and later resold to other countries, must be replaced by additional purchases in the United States or by refunds to the Treasury of the equivalent of the dollars received on such resales. In December, 1918, the British wished to dispose of some of their pork and to obtain some cheese in return. For the purpose of such an exchange they entered into negotiations with Holland. Since the pork was of American origin it clearly came under the terms of the Treasury contract. Dr. A. E. Taylor, of Mr. Hoover's staff, cabled the State Department at Washington on this matter as follows:

British wish to barter American-bought pork to Holland for cheese, and Foreign Office has approved. Transaction in effect is a loan by us to Great Britain for purchase of cheese in Holland. Such a trade would have effect of increasing Dutch ration or of depriving us of sale of pork under Dutch ration. I suggest that Board decline approval of any such trade unless Inter-Allied Blockade will give us option of selling pork products to neutrals, with whom we have agreements, in excess of their ration figure and that Treasury must approve or make agreement with British. From the European point of view, ration restrictions on the neutrals in foodstuffs except for reasons of conservation by us are without point except to hamper us in order to maintain a blockade theory.

The State Department answered, disapproving of this trade but urging the removal of blockade restrictions. The

sale was nevertheless consummated, totaling some 24,000,000 pounds of pork. The British failed, at that time, either to remit the proceeds or to make a corresponding repurchase in the American market. Mr. Hoover concentrated his efforts on inducing the British to respect this very definite contract⁶ and on January 27 he cabled to the United States Treasury as follows:

We consider it therefore critically necessary that you should immediately notify each of the Allies that under the understanding with the United States Treasury they would not resell any commodities which have been purchased through advances by the United States Government, except on immediate payment to the Treasury of acceptable neutral exchange for dollars.

The object in this move was to secure either the market directly for the American producer or a corresponding increase in purchases by Great Britain with the proceeds of such resales. The latter would, of course, have the same market result and would not require additional loans from the United States to Great Britain.

After long delay the British finally accepted this principle both as to sales to neutrals and to Germany.⁷

⁶See pages 89 and 101 for reference to this incident.

⁷See correspondence with Sir John Beale, page 107.

XI

OPENING OF THE BLOCKADE OPPOSED BY THE FRENCH

Mr. Hoover's main objectives. The blockade during the war. Promise of food to Germany in the Armistice. German food conditions. French opposition to relief of Germany. Reasons for feeding Germany. Treves Armistice extension. Finance of food to Germany. Report of financial delegates. American proposals. First and second Spa conferences. Germans refuse to deliver ships unless promised continuing supply of food. Colonel Logan's memorandum. Mr. Hoover's resolution. Matter referred to Supreme War Council.

THE preceding chapters have shown that Mr. Hoover was working for four main objectives in order to dispose of the surplus pork and other food products from the United States and at the same time assist famine-stricken Europe. These were:

1. To secure regular and continued buying by the Allied governments of such amounts as they would require;
2. To secure relaxation of the blockade restrictions on neutral countries so far as concerned food;
3. To secure the opening of the market in the enemy countries where additional food supplies were urgently needed;
4. To secure, with Allied cooperation, definite provisions for the furnishing of relief supplies to countries recently liberated from the domination of the Central Empires.

The first of these objectives has been discussed, and it has been shown that the British officials, the principal Allied purchasers, refused to continue their regular purchases or to cooperate with the American Food Administration in disposing of the surplus food created for the Allies as a result of their war requirements.

As to the second objective, that of opening the neutral markets, it has been shown that the Allied High Military authorities, particularly the French officials, blocked Mr.

Hoover's early attempts in this direction. The same was true of the early attempts to open the enemy markets for our surplus food.

The blockade had been a powerful instrument in the hands of the Allies during the last years of the war. To it, fully as much as to the military operations, was to be credited the early debacle of the Central Empires. With a partial crop failure in 1918 and the almost complete absence of imports through the blockade, it was readily apparent that Germany could not last through until the next harvest. The fall of the Empire had been brought about by internal forces due, in a large measure, to hunger and deprivation. Although the Armistice had been signed and Germany had ceased fighting, yet these same internal forces were at work and they were the forces that make for Bolshevism and anarchy.

As early as December 20, 1918, Mr. Hoover wrote to President Wilson in Paris, pointing out the dangers in this situation. In this letter he said:

Soon after the Armistice, you took one or two occasions to make clear that the maintenance of order in Germany by the German people was a prime requisite to foodstuffs and to peace, and that the necessity of feeding Germany arose not only out of humanity but out of its fundamental necessity to prevent anarchy.

It would seem that these warnings have a little worn off and I have a feeling that it would be desirable if some joint and very pointed statement could be made by the four associated governments on the positive subject of Bolshevism in Germany.

As you are aware there is incipient or practical Bolshevik control in many of the large centers; there is also a Separatist movement in progress amongst the German states, arising somewhat from fear of Bolshevism; there is also—apparently largely supported—a movement towards the election of a constitutional assembly of some kind.

After pointing out in more detail the evidence then available as to Bolshevik activities in Germany and the danger of a Separatist movement, Mr. Hoover stated that the German Empire probably contained 60% of a normal food supply and that they could probably go through without starva-

tion on something like 80%. The problem, therefore, was to find the additional 20%.

Article 26 of the Armistice Convention of November 11, 1918, read as follows:

The existing blockade conditions set up by the Allied and Associated Powers are to remain unchanged, and all German merchant ships found at sea are to remain liable to capture. The Allies and the United States contemplate the provisioning of Germany during the Armistice as may be found necessary.

By this article it was recognized by both sides that the economic blockade, which had proved such an effective weapon, was not to be relaxed until Germany had finally acceded to peace terms to be drafted by the Allied and Associated Powers. But this article also expressed the conviction of these Powers that it was impossible to establish peace while a section of Europe was in serious want of food. It gave Germany the right to expect that her most serious wants would be met.

Shortly after his arrival in Europe after the Armistice, Mr. Hoover demanded from the Germans a complete statement of their food situation as a prerequisite to the making of any plans for their provisioning. This report prepared by a special committee (*Bericht der Freien Wissenschaftlichen Kommission zum Studium der jetzigen Ernährungs-verhaeltnisse in Deutschland*) was submitted early in January, 1919. After the receipt of this report, Mr. Hoover sent Dr. Alonzo E. Taylor and Dr. Vernon Kellogg to Berlin and other parts of Germany to study conditions and to determine as far as possible the accuracy of the data which had been submitted. The results of this investigation showed that, apparently, the Germans had placed all their cards on the table and that their statements, while overdrawn in some respects, were approximately correct.

These data showed very clearly how great a part the lack of food had played in the collapse of the German military régime and how serious their food situation was at the end of 1918. The data showed that for the three years, 1916,

1917, and 1918, the average production of bread grains in Germany had been only 10,500,000 tons, or only 60% of the pre-war average supply. In their meat and fat supply they were much worse off than in cereals. Practically the whole of the population was strictly rationed. The 1917-1918 rations showed the following percentage of the pre-war consumption:

Cereal Products	64%	of pre-war
Meats	18%	of pre-war
Fats	12%	of pre-war

The report further pointed out the great increase in the death-rate, which in many classes of the civil population was one-third greater in 1917 than pre-war. It was estimated that in December, 1918, more than 800 persons were dying daily in Germany because of undernourishment and diseases resulting therefrom.

The accuracy of these reports was substantiated from many sources. Returning soldiers, prisoners of war, and others of all nationalities reported that food conditions in Germany, particularly in the industrial cities, were very serious.¹

Knowing the really serious situation within Germany, Mr. Hoover almost daily urged that steps be taken to allow Ger-

¹Much additional evidence as to the food situation in Germany could be cited from many independent sources. At the meeting of the Supreme Council of Supply and Relief on February 19, 1919, the Military section of the British Delegation submitted a report on Germany based on the observations of 14 British officers in Germany. In this report they stated:

The shortage of staple articles of food throughout the country (Germany) is such that the mass of the population are living upon rations which, whilst maintaining life, are insufficient to nourish the body properly. Mothers and young children are particularly affected. Malnutrition has increased the mortality and diminished the birth-rate; it has given rise to new diseases (for example, war œdema and "mangold-wurzel disease") besides aggravating the previously known ones.

At the next meeting of the Supreme Council (February 21, 1919) Sir John Beale, the British representative, submitted a long memorandum on relief supplies to Germany in which he said:

The conclusions I arrive at on the general question are as follows:

1. The food situation in Germany is already serious and will, unless drastically helped from outside by immediate action, be so desperate in a few months that Germany will probably be overtaken by economic

many to secure her most urgent requirements. As pointed out in Chapter VII he had proposed a simple and practical plan by which this could be done through the neutrals, but this plan was rejected by the high military authorities of the Allies, for fear that it would lessen their power to force Germany to accept their peace terms.

Time and again this matter was brought up in the meetings of the Supreme Economic Council and in the Supreme Council of Supply and Relief² where it was supported by the

and political disaster, with consequences which may spread to Allied countries.

2. It is impossible, under present conditions which require Germany to pay in actual cash for all food she receives, for the Associated Governments to supply food in sufficient quantities to meet Germany's needs, and it is therefore difficult to see how the Associated Governments can escape some measure of responsibility unless the blockade is lifted promptly so far as food is concerned and Germany left free to make her own importation arrangements.

²It will no doubt add to the understanding of this and the succeeding chapters if a brief explanation is given of the Allied organizations erected in Paris to conduct the Peace Negotiations. At the beginning there was, of course, the full Peace Conference, including the duly appointed representatives of some 23 countries which had declared war against the Central Empires. It was soon found that this Conference was entirely too large and unwieldy to obtain results. Consequently there was established by their own authority a so-called Supreme War Council which, functioning under this or other names such as the Supreme Council of Ten, became the all-powerful body at Paris. This council consisted of the heads of the four Associated Powers; namely, President Wilson, Mr. Lloyd George, M. Clémenceau, and Baron Sonnino, together with their Ministers of Foreign Affairs (Secretaries of State) and two representatives of Japan.

Later on, even this Council of Ten became somewhat unwieldy, and its place was gradually taken by what was known as the Council of Heads of States, or as the Council of Four; namely, the President of the United States and the Prime Ministers of England, France, and Italy.

Early in February, 1919, the Supreme War Council authorized the organization of the Supreme Economic Council which, subject to revision by the Supreme War Council, was charged with the determination and administration of all economic matters coming under the terms of the Armistice. Under the Supreme Economic Council there were organized a number of sections dealing with particular problems. Among these were sections on Food, Finance, Blockade, Communication, Raw Materials, Marine Transportation, and so forth.

Prior to the organization of the Supreme Economic Council, there had been set up by the Associated Governments, as discussed in Chapter XIV, a Supreme Council of Supply and Relief to handle the food relief problems of the liberated countries. This Council was later (February 27, 1919) converted into the Food Section of the Supreme Economic Council, which enabled its activity to be coordinated with those of the other sections.

British but was always met by determined opposition on the part of the French. One can readily understand the feelings of the French against the Germans for the suffering and destruction which they had caused, and it is not difficult to understand that they might wish to cause the Germans some suffering too. Further, there can be no doubt but that many of the French people wanted to see Germany crushed, both in a military and an industrial way. Such emotions were only natural in a people who had experienced the excesses of an invading army and with their feelings one can find much sympathy.

But from a longer view, was this the best method of securing the future peace of Europe? After all, as Mr. Hoover said, the world had to live with these Germans. Would it not be better to live with them under some form of stable government than under the anarchy and Bolshevism into which Russia had fallen and which Germany, to all appearances, was fast approaching? In these attempts to relieve the German people, Mr. Hoover and the men associated with him were endeavoring to create a new vision of peace. Germany had been promised needed food. Her need had been clearly demonstrated and the Americans stood for fulfilling that need so far as it was possible.

Some months later, after the blockade had been finally lifted, and in answer to a question as to why we were feeding Germany, Mr. Hoover once said in part:

From the point of view of my western upbringing, I would say at once, because we do not kick a man in the stomach after we have licked him.

From the point of view of an economist, I would say that it is because there are 70 millions of people who must either produce or die, that their production is essential to the world's future, and that they cannot produce unless they are fed.

From the point of view of a reconstructionist, I would say that, unless the German people can have food, can maintain order and stable government and get back to production, there is no hope of their paying the damages they owe the world.

From the point of view of a humanitarian, I would say that we

have not been fighting with women and children, and we are not beginning now.

Taking it by and large, our face is forward not backward on history. We and our children must live with these 70 million Germans. No matter how deeply we may feel at the present moment, our vision must stretch over the next hundred years, and we must write now into history such acts as will stand creditably in the minds of our grandchildren.

The French, however, were insistent that the blockade must be maintained in all its rigor until the Germans had finally accepted the peace terms to be dictated by the Associated Powers. Their attitude is shown by the following extract translated from a letter written by Marshal Foch to the French Minister of Foreign Affairs, Director of the Blockade:

The strict maintenance of the rules of the blockade is imperative from a military point of view. As a matter of fact, when the Allied armies are reduced to such a point as to make all important military operations difficult, the blockade, the severity of which can be increased or diminished according to circumstances, will remain the best and most rapid means of obtaining respect for the Armistice agreements and in a general way for compelling Germany to bow to our wishes.

TREVES ARMISTICE EXTENSION

Although the first proposals, by American officials, to allow the provisioning of Germany were made early in December, 1918, obstruction continued. An Armistice convention between the Allies and Germany was held at Treves on January 16, 1919. At this time the Armistice was extended from January 17 to February 17, 1919. At this conference the American delegates, at Mr. Hoover's entreaty, urged the necessity for increasing the total world shipping tonnage to take care of the needs of Europe for the importation of food-stuffs. The Associated governments, therefore, stated that it must be regarded as a condition precedent to the importation into Germany of a certain quantity of food, that German mercantile shipping in German and neutral ports should be

placed at the disposal of the Associated governments. The delegates of the Associated governments also informed the German delegates that in the first instance the importation of the following supply of food would be permitted, namely, 200,000 tons of breadstuffs and cereals and 70,000 tons of pork products, in such manner and from such places as the Associated governments might prescribe, and that the question of any further supplies of food would be referred to the Supreme War Council for decision.³

It was also required that the first list of German ships should be delivered to the Associated governments not later than February 12, 1919, and that no shipment of any portion of the cereals or fats specified for Germany should be made until Germany had complied with these terms. Germany was also required to set up the necessary finance in acceptable terms, for the payment of these foods.

The question of finance was one of the bitterly disputed questions. The Associated Powers said that Germany must pay for any food she received, yet they were unwilling to let Germany export any except a very limited list of commodities, and even these must first be offered to the Allied governments to be taken if they wished at prices which they (the Allies) would determine. They were unwilling to allow Germany to export gold or foreign securities, because these were earmarked for reparations. The French insisted that Germany should be given a loan by the Allied and Associated governments with which to pay for food, but this was totally unacceptable to the United States because this country was the only source from which such a loan could come and even if parts of it were guaranteed by the Allies it meant pouring more money into Europe where we already had made much larger advances than we would ever recover.

³Article VIII of the Treves Armistice extension reads as follows:

To assure the supply of food for Germany and for the rest of Europe, the German Government will take all necessary measures to place the whole German commercial fleet, during the period of the Armistice, under the control and under the flags of the Allied Powers and the United States assisted by a German delegate.

Mr. Hoover had already pointed a way out of a large part of this difficulty by relaxation of the blockade on the neutrals, but France would not hear of this.

Following the Treves conference the financial representatives of Great Britain, Italy, and the United States submitted a joint report to the Supreme Council of Supply and Relief in which they reviewed the financial difficulties in securing acceptable payment from Germany for food. Certain significant paragraphs were added to this report (which the French representatives refused to sign) which pointed out clearly that the blockade was a hindrance to the Allies and that it could only result in further impoverishment of Germany, with the result that resources available for reparations would be reduced.⁴

⁴The paragraphs referred to in this report of the financial delegates of the three governments are as follows:

The Financial Representatives beg to invite the attention of the Supreme Council to a further topic, traveling perhaps somewhat beyond their proper sphere, by the importance of which in the present connection they have, however, been forcibly impressed in the course of their recent negotiations.

The maintenance of the Blockade in its present form is, in their opinion, incompatible with the decision of the Supreme War Council that within proper limits Germany should be revictualled and with their further decision that in no circumstances is it possible to facilitate this operation by means of a loan or credit from any of the Associated Governments to the German Government, unless the German Government is to be allowed to dissipate some of its more tangible resources which might properly be reserved for the claims of Reparation.

They are of this opinion for two sets of reasons:

1. The interference of the Blockade in its present form with German exports must obviously much increase the magnitude of the financial problems involved in making a beginning at allowing German imports. Payment for imports by Germany without any adequate corresponding offset in the form of exports can only impoverish her further and diminish *pro tanto* the amounts available for Reparation, especially if the lack of exports leads to the imports being paid for by precisely those German resources which are most conveniently available for Reparation.

2. The maintenance of the Blockade on imports renders the business of supplying Germany a transaction between governments and excludes the assistance of private trade, credit, and enterprise. It is probably as difficult for the German Government to secure as for us to insist on receiving through direct governmental agency the thousand rivulets of payment which would freely flow when once the channels of private trade and interest had been opened. A transaction between govern-

These arguments made but little impression upon the French, and obstruction still continued. Mr. Hoover was particularly irritated by these constant delays, but he endeavored to overcome them by moves, first in one direction, and then in another. On February 4, 1919, Mr. Hoover wrote to President Wilson, expressing his views in a particularly forceful manner. He wrote in part:

DEAR MR. PRESIDENT:

I enclose herewith the resolution drafted by Mr. McCormick and myself which we are anxious to get through the Supreme War Council. It has three main purposes: *First*. There is no right in the law of God or man that we should longer continue to starve neutrals, now that we have a surplus of food. *Second*. The French, by obstruction of every financial measure that we can propose to the feeding of Germany in the attempt to compel us to loan money to Germany for this purpose, have defeated every step so far for getting them the food which we have been promising for three months. The object of the second part of the first resolution and of the second resolution is to at least find some channel by which the Germans can help themselves by trade with neutrals and South America. *Third*. The object of the third resolution is to allow

ments is almost necessarily confined to such resources as can be dealt with *en bloc*, whereas it is precisely the individual and secret resources of the enemy countries which it is our interest to tap. Not only so, but, if the private interests of neutral merchants can be engaged, credits will be available which cannot otherwise be called into existence. The Associated Governments can only sell for cash at a fair price. Neutral merchants, if they sell on credit, can cover the risk in their prices. Unless the normal agencies of trade can be invoked, the task of supplying Germany, as a transaction between governments, even on the most modest scale, must soon become financially impossible.

The Financial Representatives represent, therefore, that the policy of the Supreme War Council to permit on a certain modest scale the revictualing of the enemy countries must prove itself at an early date to be financially incompatible with the maintenance of the Blockade in its present form. A modification of the Blockade will not solve the problem by itself and *en bloc* transactions between governments should certainly be retained in certain cases. Such modification, however, would much diminish the gravity of the financial problem.

The Financial Representatives are of course aware that there are many other aspects of the Blockade. But they think it their duty to call attention to an aspect of it which specially concerns them.

The above has been approved by:

B. ATTOLICO, for the Italian Government.

NORMAN DAVIS, for the United States Government.

J. M. KEYNES, for the British Government.

the people bordering on the Mediterranean to get into production and trade with all their might and by so doing not only revive their commercial life but also to a large degree supply themselves with food and other commodities and thus take a large part of the burden of relief from the back of our government.

* * * *

I have worked consistently since arriving in Europe on the 25th day of November to secure these objects and I have to confess that although they have been accepted in principle in first one department and one government after another, they are constantly defeated by one bureaucratic and special self-interest after another of various governments, and I can assure you that the blockade against neutrals and the Southwest is being used today for purely economic ends when its sole justification was for the protection and furtherance of military operations, which justification is now gone.

I realize that there is still some political importance in maintaining the blockade against Germany within certain limits, but it does not apply to the rest of Europe. I can see no hope of securing the removal of these restrictions except by a direct and strong intervention through yourself and mandatory orders given by the Supreme War Council.⁵

⁵The resolutions referred to in this letter were as follows:

PROPOSED RESOLUTION TO BE PRESENTED BY THE PRESIDENT TO
SUPREME WAR COUNCIL

The Supreme War Council at the present time sees no military objection to certain relaxations of economic control of the enemy and approves and recommends the following relaxations in existing export and import control:

1. Norway, Sweden, Denmark, Holland, and Switzerland to be allowed to import unlimited amounts of foodstuffs and to be permitted to reexport foodstuffs to Germany, subject to the control of the Associated Governments, the aggregate amount of such reexports with other imports of foodstuffs by Germany, not to exceed the amount of foodstuffs which the Supreme War Council may, from time to time, have agreed to permit to be imported into Germany.

2. Residents of Germany to be permitted, in such manner and through such agency as may be approved by the Supreme Council of Food and Supply, to communicate with persons in foreign countries relative to the purchase of such amounts of foodstuffs as the Supreme Council may have agreed shall be imported into Germany.

3. All commodities to be allowed to be imported into or exported from South Europe and countries bordering on the Mediterranean without limit as to amount and without guaranty against reexport of imports.

CONFERENCES WITH GERMANS AT SPA

On February 6, 1919, a further conference with the Germans was held at Spa in an attempt to solve the shipping and financial problems connected with the German food supply. At this conference the Germans stated that their requirements for each month until August, 1919, were for 400,000 tons of wheat, 170,000 tons of maize, and 100,000 tons of meats and fats. This quantity was beyond the ability of the Associated Powers to supply from available stocks or to transport with available shipping. The Associated governments did, however, specify definite quantities of foodstuffs, chiefly surplus stocks of wholesome but undesirable quality in the hands of the British, which they would deliver to Germany if suitable financial arrangements could be made, but no definite settlement was obtained at this conference.

In the meantime, the situation in Germany was daily becoming more serious. It was evident at last, even to the French, that something must be done, and a further conference with the German delegates was held at Spa on March 4 and 5, 1919. The demands of the Allies with regard to the German merchant marine were again presented in a preemptory manner. The German delegates, however, asked for definite assurance that the food supply for Germany until the next harvest would be taken care of. They pointed out that the total of 370,000 tons, which was all that was then definitely promised, was not sufficient,⁶ and that in their present desperate situation they must have definite assurance that further supplies would be made available, adding

⁶The terms of the Treves conference were admittedly severe. It was demanded that Germany turn over to the Associated Powers the whole of her merchant fleet, practically her last tangible economic asset. In return Germany was promised permission to import only up to 370,000 tons of food (including 100,000 tons of Argentine cereals if she could arrange the necessary credits), an amount sufficient for only two or three weeks' consumption. Permission for any further imports was to depend upon decisions by the Supreme War Council. Besides, all of these imports were dependent upon Germany finding means of finance acceptable to the Associated Powers—and this was not a simple matter. Germany was perhaps not to be entirely blamed for not grasping this proposition at once even as desperate as her food situation was.

that no government could take the responsibility of depriving themselves of the only remaining method of keeping their people alive.

COLONEL LOGAN'S MEMORANDUM

The following extract from a memorandum prepared by Colonel James A. Logan, Jr., who was Mr. Hoover's representative at the Spa Conference, gives a good summary of the situation:

The German position in the whole matter may be summed up about as follows: They expressed a willingness to turn over to the Associated governments their merchant fleet, provided the Associated governments would make a definite undertaking to supply Germany with foodstuffs up until the next harvest. They declined, however, to turn over their entire shipping with only a promise on the part of the Associated governments to give them 270,000 tons of food, plus the authority to import 100,000 tons of wheat from Argentina. It was readily gathered during the Conference that the Germans wished to finally dispose of the food question by the transfer of their shipping, so that future deliveries of foodstuffs could not be used as a lever on them for additional concessions, and as a lever for their agreement to any terms of peace which might be proposed by the Associated governments. The Germans were quite willing to negotiate with the Allies for the turning over to them of a specified amount of ocean tonnage in exchange for 270,000 tons of foodstuffs plus the 100,000 tons of Argentine wheat, and were also willing to make further specified deliveries of ocean tonnage in exchange for further agreed-upon quantities of foodstuffs. The Germans argued that this action was necessary on their part, in view of public opinion in Germany, which public opinion was decidedly of the view that the Associated governments were acting in bad faith and not living up to the agreements they made at the time of the November 11 Armistice.

The argument of the Associated governments was that the position of the Associated governments was clearly stated in the Treves agreement of January 16, which in itself constituted a definition of the intent of the Article in the November 11 Armistice, and to which the Germans subscribed in the Treves agreement. The net result of the Conference was nil. The representatives of the Associated governments took the position that under the instructions they had received from the Supreme Economic Council,

they could not negotiate any of the proposals of the Germans and therefore the Conference was adjourned.

During the intermission between the Conferences, Mr. Wise, the British representative, and myself had an informal conversation with Herr Merton, one of the German delegates. We let Merton do the talking. His general estimate of the situation was, that due to public opinion in Germany today, the German representatives at the Conference were placed in an impossible situation, and one which did not permit of any concessions on their part.

Merton stated that if the Germans were to turn over at once all their merchant fleet in exchange for 270,000 tons of foodstuffs (which amount, according to Merton's statements, would supply Germany's requirements for only a couple of weeks) they would have handed over the only weapon the Germans have left, and without any assurance whatsoever that the continued feeding of Germany would not be made contingent by Marshal Foch on further material concessions of a wholly different character.

In closing his memorandum to Mr. Hoover, Colonel Logan said:

The continued success of our efforts to combat Bolshevism by the supply of foodstuffs to the Polish people, by the supply of foodstuffs to the Czechoslovakian population, and other outlying states, is dependent to a large extent on the maintenance of good order in Germany. If we continue our present policy with Germany, it can only result in our being forced to go further into that country with our troops, with the resultant additional expense and waste of our resources.

While having no trust or confidence in the German types such as I saw at this and other conferences, or in Merton, and while fully realizing what is perhaps their game in shaking the red flag of Bolshevism in an endeavor to frighten us, I nevertheless believe that the German problem must be approached from a broader and more humanitarian point of view than has been the policy of the Associated governments in their negotiations up until the present time.

The reestablishing of good order in Germany is largely dependent on the reestablishing of its normal economic life.

MR. HOOVER'S RESOLUTION

With the breaking off of this conference, the situation again became serious, and Mr. Hoover redoubled his efforts.

At the meeting of the Supreme Economic Council on March 7, 1919, Mr. Hoover presented the following resolution:

PREAMBLE:

1. The food situation in Europe requires the use of the German mercantile fleet at once.
2. Assurance of regular and limited food to Germany will not affect the political conditions of peace.
3. Germany can only pay if her population can get into production and export of commodities.
4. Germany will collapse and peace be impossible if such assurances of food and productivity are not immediately given.

THEREFORE:

1. It is agreed that Germany must receive regular monthly imports of food until next harvest for humanitarian reasons and if order and stability of government are to be maintained, peace effected, and reparation secured.
2. It is agreed that Germany must place her mercantile fleet in the service if she is to receive food, and this fleet must be used to effect the general provisioning of Europe as well as Germany.
3. It is agreed that Germany must pay for this food. She can pay (a) by exporting commodities; (b) by neutral credits; (c) by other liquid assets.
4. It is agreed that Germany needs approximately 300,000 tons of food per month. This will require the use of 700,000 to 800,000 tons of shipping in constant employment, or say one-third (?) of her total tonnage.
5. It is agreed that Germany should be assured:
 - (a) That one-third of the shipping handed over shall be used in transport of food to Germany between now and next harvest;
 - (b) That Germany can export commodities (except a black list); the proceeds from the sale of such commodities to be used for food purchases;
 - (c) That she can use the outward voyage of the one-third of her shipping for the export of commodities as well as exports to surrounding neutrals and Allies;
 - (d) That she can use such credits as she can set up with neutrals or elsewhere to buy food;
 - (e) That she can convert into food purchases any currency she obtains from sale of commodities;
 - (f) That she can use hire of ships to buy food;

(g) In order to give immediate delivery of food before the above plan begins to materialize, part of the first 300,000 tons which Allies or neutrals can provide will be delivered in ratio to ships sent out under the present plan of finance.

The French again presented serious objections to this action. In the first place they did not want to make any promises to Germany beyond the first month's supply of food, but more especially they objected to the financial provisions which would allow Germany to use her gold and foreign securities for food purchases.

The Supreme Economic Council was unable to reach an agreement on this resolution and the whole matter was submitted to the Supreme War Council for their decision.⁷

⁷As further evidence of the strenuous action which Mr. Hoover was taking during this period and the difficulties he encountered, the following extracts from a memorandum from him to the American Commission to Negotiate Peace, dated February 19, 1919, will be of interest:

SECRET

It will be recollected by the Conference that the provisioning of Germany was a point insisted upon by the United States in the Armistice and has been continuously insisted upon ever since. The Supreme War Council passed my recommendation of a monthly ration to Germany of 200,000 tons of cereals and 70,000 tons of fats, as basic consideration for the use of her commercial marine. All these things were agreed to some months ago, and the ships are now coming out. Up to date not a single pound of food has been delivered to Germany, although contracts have been made by the British and French for the delivery of some \$40,000,000 value of 45,000 tons of undesirable stocks, to be paid for mostly with gold. The French have placed every possible obstacle in finance, and we are totally unable to proceed.

The financing of German food rests upon four possibilities:

1. The payment of such amounts of international exchange or gold as they can uncover;
2. The shipment of certain commodities;
3. Their being allowed to trade with neutrals, such as the Northern neutral states and the Argentine;
4. Use of hire from merchant marine in payment for food. Every proposal has been blocked by one Allied government or another, except so far as they receive these values for old stocks. The French demand that we participate in credits to Germany, these credits to form part of the ultimate indemnity. It will be recollected that the German mercantile shipping was taken over from them on a positive assurance that Germany should have food. It is a bargain upon which the United States is on record, and as yet this bargain is unfulfilled. Doctors Taylor and Kellogg have just returned from Germany and they again affirm that the situation is most serious. British Missions have also reported the same situation. There will be a total breakdown in the whole social

system unless the food situation in Germany is remedied. I wish to bring before the Commission the utter powerlessness of the United States officials to find solution in this matter, and that the time has arrived when we should make some public declaration that will save the honor of the United States in this situation.

The old blockade, under which the neutral countries of Europe are half-starved, is still enforced, except for some minor relaxations, and this despite the continuous efforts made by the American officials since the Armistice. First one excuse after another has been found by one government after another amongst the Allies for refusal to relax this blockade. . . . The uses to which the blockade on foodstuffs is being placed are absolutely immoral. They are entirely foreign to the whole purpose of the war and I do not feel that we can with any sense of national honor or dignity longer continue to endure this situation. . . .

I have by consent and approval of the Allied governments been set up on behalf of the United States as the central figure engaged upon the food supply of Europe as a whole, including the amelioration of food conditions to neutrals, relief to the liberated countries, and supply to enemy countries. I have as yet accomplished nothing except so far as I have been able to directly draw upon the United States resources, which I have poured in to the last penny of our ability. I wish to solemnly warn the Conference as to impending results in the total collapse of the social system in Europe unless this matter is at once straightened out. . . .

XII

HOW THE GERMAN MARKET WAS FINALLY OPENED FOR AMERICAN PRODUCTS

Supreme War Council meeting. French views. Mr. Hoover's attitude. Speech of Lloyd George. Agreement of new meeting with Germans. The Brussels Agreement. Food delivered in return for German gold. Provided outlet for advance purchases of pork.

THE failure of the negotiations with the Germans at the second Spa Conference, March 4 and 5, had brought the situation to a head in Paris. Mr. Hoover's resolution before the Supreme Economic Council had provoked bitter discussion. The United States and Great Britain were united that Germany must be fed, and Italy was inclined to side with them, but France was obdurate.

The meeting of the Supreme War Council in M. Pichon's room at the Quai d'Orsay at 3 p.m., March 8, 1919, formed a memorable occasion. In attendance were the Premiers of Great Britain, France, and Italy, and for the United States the Hon. Robert Lansing, Secretary of State, and Colonel E. M. House, the President's representative. In attendance from the United States were also such men as General Tasker H. Bliss, Herbert Hoover, Bernard Baruch, Norman Davis, Thomas Lamont, Vance McCormick, Henry Robinson, and others. France, in addition to the Premier, M. Clémenceau, was represented by Marshal Foch, General Weygand, Admiral de Bon, M. Pichon, M. Klotz, M. Clémentel, M. Loucheur, and others, while the British Prime Minister, Mr. Lloyd George, was supported by such men as Lord Robert Cecil, Sir Eyre Crowe, Rear Admiral Hope, Sir W. Beveridge, and J. M. Keynes.

Lord Robert Cecil presented the memorandum from the Supreme Economic Council which had resulted from Mr.

Hoover's resolution. Lord Robert pointed out that the Supreme Economic Council had arrived at certain decisions embodied in a report¹ which he read. He stated that unanimous decision had been reached on all but two points, where strong differences of opinion prevailed. These were in relation to Clause 2, which was concerned with a relaxation of the blockade and a possible implied promise to feed the Germans until September 1, 1919, and also in reference to the financial clauses particularly (*d*), (*e*), and (*f*), which permitted the Germans to use their gold and foreign securities.

M. Clémentel then spoke for the French, pointing out that they believed that no agreement should be made with the Germans for more than one month at a time and that this must apply only so long as they abided by the terms of the Armistice. He further stated that the French representatives held the view that people who wanted to eat should work and that the Germans should be told they would receive food only in return for raw materials and that the French held that the first three methods of payment (*a*), (*b*), and (*c*) were sufficient.

Marshal Foch expressed the view that the lowering of the blockade as implied in this memorandum had the effect of disarming the Allies, since with this promise, pressure could no longer be exerted by the fear of withholding food.

Mr. Hoover replied strongly to this and other views. He stated that it was evident that starvation would stare the whole of the German people in the face within a few weeks. That unless the Allies were willing to enable Germany to maintain a stable government, then the efforts of the representatives then sitting in the Council Chamber would be washed out to nothing within the next 60 days. That the honor of his own government in its promises and its standing before the tribunal of future world opinion was at stake.

¹The text of this report is essentially the same as that of the memorandum which was read at the Brussels meeting and which is quoted in full in the footnote on page 144.

At this juncture the British Prime Minister, Mr. Lloyd George, delivered an impressive speech before the Council, in which he said that the difficulties which had been raised were more fancied than real. That at any time the flow of food to Germany could be cut off at a moment's notice. In adopting these measures, therefore, the Conference was not parting with any potent weapon.²

On the other hand, he wished to urge with all his might that steps should at once be taken to revictual Germany. The honor of the Allies was involved. Under the terms of the Armistice the Allies did imply that they meant to let food into Germany. The Germans had accepted our Armistice conditions, which were sufficiently severe, and they had complied with the majority of those conditions. But so far, not a single ton of food had been sent into Germany. The fishing fleet had even been prevented from going out to catch a few herrings. The Allies were now on top, but the memories of starvation might one day turn against them. The Germans were being allowed to starve whilst at the same time hundreds of thousands of tons of food were lying at Rotterdam, waiting to be taken up the waterways into Germany. These incidents constituted far more formidable weapons for use against the Allies than any of the armaments it was sought to limit. The Allies were sowing hatred for the future: they were piling up agony, not for the Germans but for themselves.

The British troops were indignant about our refusal to revictual Germany. General Plumer had said that he could not be responsible for his troops if children were allowed to wander about the streets, half-starving. The British soldiers would not stand that, they were beginning to make complaints, and the most urgent demands were being received from them. Furthermore, British officers who had been in Germany said that Bolshevism was being created, and the determining factor was going to be food. As long as the people were starving, they would listen to the arguments of the Spartacists, and the Allies by their action were simply encouraging elements of disruption and anarchism. It was like stirring up an influenza puddle, just next door to one's self. The condition of Russia was well known, and it might be possible to look on at a muddle which had there been created. But, now, if Germany went, and Spain: who would feel safe? As long as order was maintained in Germany, a break-

²The following three paragraphs are quoted from the secret minutes of of Supreme War Council meeting.

water would exist between the countries of the Allies and the waters of Revolution beyond. But once that breakwater was swept away, he could not speak for France, but trembled for his own country. The situation was particularly serious in Munich. Bavaria, which once had been thought to represent the most solid and conservative part of Germany, had already gone.

He was there that afternoon to reenforce the appeal which had come to him from the men who had helped the Allies to conquer the Germans, the soldiers, who said they refused to continue to occupy a territory in order to maintain the population in a state of starvation. Meanwhile the Conference continued to haggle. Six weeks ago the same arguments about gold and foreign securities had been raised, and it had then been decided that Germany should be given food. He begged the Conference to reaffirm that decision in the most unequivocal terms. If, as a result of a process of starvation enforced by the Allies, the people of Germany were allowed to run riot, a state of revolution among the working classes of all countries would ensue with which it would be impossible to cope.

With these views M. Clémenceau and his colleagues did not at once agree. As the result of a long debate, however, it was decided that the German representatives should be called to Brussels, that the Associated governments should be represented by a single man, a British Admiral, who should first of all call upon the Germans for an unequivocal statement that they acknowledged and would undertake to execute their obligations under Article VIII of the Treves Armistice extension relative to their merchant ships. (See page 130).

With this settled, the delegates of the Associated governments were directed to present a memorandum from the Supreme Economic Council embodying the principles discussed above.

THE BRUSSELS AGREEMENT

The meeting thus authorized with the German delegates was held in Brussels on March 13 and 14, 1919. The Germans accepted the mandate of the Powers and a definite agreement was signed for the delivery of food supplies.

By the terms of the Brussels agreement, Germany was permitted to import up to 300,000 tons of bread grains or other human foods and 70,000 tons of fats, including milk, per month, if finance could be found for them. Several alternative methods of payment were allowed in this agreement, including the use of the German gold reserve for collateral.³

The terms of this agreement were those for which Mr.

*The following is the memorandum from the Supreme Economic Council based on instructions from the Supreme War Council which was read at the Brussels meeting and which was accepted by Germany. All food deliveries to Germany were made under the terms of this agreement:

MEMORANDUM OF THE SUPREME ECONOMIC COUNCIL STATING
THE INTENTIONS OF THE ASSOCIATED POWERS

1. The Associated Governments reiterate their decision to deliver to Germany the food now available in Europe for which payment has been arranged as soon as Germany shows her genuine intention to carry out her obligations, by sending to sea for that purpose the ships to be selected by the Associated Governments. The Associated Governments will themselves provide (as quickly as transportation can be arranged), or will give permits for import from neighboring neutrals for the balance of the 270,000 tons agreed on, as soon as the ships already named by the Germans as being ready have been sent to sea and as soon as payment for such food has been arranged.

2. She shall have the right to purchase and import up to 300,000 tons of breadstuffs or their equivalent in other human foodstuffs, and 70,000 tons of fats, including pork products, vegetable oils, and condensed milk, monthly until September 1.

3. She must pay for this food and may pay in any of the following ways:

(a) By export of commodities and the sale of cargoes of German ships now in neutral countries;

(b) By credits in neutral countries;

(c) By the arrangement of advances against the use of foreign securities or properties as collateral;

(d) By the outright sale of foreign securities or properties;

(e) By the hire of ships;

(f) Further, gold also may be used as collateral for loans to be released as other means of payment provide means of liquidating such loans. The outright sale of gold can only be permitted in the event of its being agreed by the Associated Powers that the above-named means of payment are inadequate.

4. She may export commodities (except those that will be enumerated in a prohibited list) to any neutral or other approved destination. The proceeds from these exports must, however, be converted into payments for foodstuffs.

5. When the German ships are delivered, and subject to the continuous performance by Germany of the whole of her obligations in relation to the subject matter of this memorandum, the carriage of

Hoover had worked so hard and long. Their final acceptance, by all parties, marked the end of a hard-fought battle and made certain of a market for surplus farm products from America. Its consummation, even after the long delays, marked a distinct triumph.⁴

German supplies, up to the amount specified above for the period to 1st September, will be a first charge upon their use.

6. She may purchase and import foodstuffs within the limits above stated from neutrals, who will, when necessary, be allowed to reimport equivalent quantities.

7. It is understood that the declaration of the Associated Governments under this communication will be null and void should Germany break the terms of the Armistice, or in any way fail to carry out her obligation as respects the delivery of her mercantile marine.

*The following note on the Brussels conference prepared as an Associated Press dispatch immediately after the first plenary session throws many interesting side-lights on this important meeting:

March 13, 1919

Brussels was today the scene of an international conference of more far-reaching consequences than any held in Europe since the signature of the Armistice. Germany, reeling along the precipice of anarchy, having lost the war through failure of her food supply and its effect on her physique and morale, had sent her delegates to Brussels to deliver her merchant fleet, and financial resources in return for food. Previous discussions on this subject had failed for one reason or another, but the situation had become manifestly desperate. Both the Allied governments and the Germans sent new delegates to undertake this conference. As the matters under discussion involved questions of shipping and transport, a British admiral, Sir Rosslyn Wemyss, was delegated to preside at this meeting. The real significance of the occasion, however, lay in the personal participation of Herbert Hoover, the Chairman of the American delegation, in his capacity of Director General of Relief. Hitherto, Mr. Hoover had sent assistants to these conferences. This tense occasion is emphasized by the Germans having to appear "in person" in Brussels, and ask Hoover for food.

Seventeen German delegates, qualified to deal with the different phases of the questions at issue, arrived in Brussels yesterday and were lodged in Hotel Astoria which, during the German occupation, had been used by them. Some flavor of poetic justice is imparted by the fact that these men dare not venture upon the streets which they so recently walked as conquerors, and it was even thought wiser to hold the conference in the hotel itself, rather than in the town hall, as had been originally suggested. Belgian sentries, in their brown steel helmets and with fixed bayonets, stand guard in the lobby of the hotel, and before the doors of the conference rooms.

The Germans are a dejected looking lot. All of them, with the exception of one sailor, are wearing civilian clothes, although some of them were officers in the war. The sailor still wears the imperial crown upon his sleeve, indicating that he has not been home since the revolution, and the others bear irrefutable evidence of the fact that no Ger-

Immediately after this conference, Germany began to ship her gold to neutral banks in accordance with the terms of the agreement. On March 22, 1919, the first shipment of 50,000,000 gold marks (\$12,500,000) was deposited in the Nederlandsche Bank in Rotterdam to the credit of the United States Food Administration. This shipment was to be used in payment of supplies to be shipped from Great

man can secure civilian clothing that either fits or gives distinction. The observer might also have noticed that neither Baron von der Lancken nor Dr. Reith was amongst those present. These two men, who are well and extremely unfavorably known in Belgium, are chiefly known to the rest of the world through a certain terse remark of Mr. Hoover's, and were notable on this occasion by their absence.

The seventeen German representatives sat on one side of a long table in the hotel banquet hall. On the other side were an equal number of representatives of the Allies. There were no greetings nor salutations, no amenities of any sort. The whole proceedings were marked by an impersonal rigidity. The Chairman of the German delegates stared at a spot on the table and addressed his remarks to no one.

The Admiral began by reading a statement that had been prepared for him by the civilian members, calling upon the Germans to say categorically whether or not they abided by the terms of the Armistice. The depressed German Chairman replied with a curt "yes." The Admiral then read a one-page typewritten memorandum, giving in crisp sentences the terms of the Allies for granting food to Germany. Merchant fleet to be handed over at once—financial provision to be made at once—food to be delivered at once—and to be continued until next harvest, so long as Germany abided by the terms of her agreement.

As the statement was read it was translated into German and into French, and the German responses went through the same treatment. The same detached air was preserved throughout, as though the affairs of a bankrupt corporation were those under discussion, rather than matters of life and death to seventy millions of people.

It was then settled that the details of the ration of 370,000 tons of food monthly, with shipping and finance, would be elaborated in subcommittees, and the first plenary session adjourned, having lasted only a few minutes. The subcommittee on food was under the chairmanship of Mr. Hoover. Mr. Lamont represented the United States on finance, and Mr. Robinson, of the Shipping Board, on shipping.

The German delegates stated that the volume of food proposed was less than they had asked for; they expressed despondency as to the possibility of satisfactory financial arrangements. In this meeting there was not a single word uttered in sentiment, no recriminations, no appeals, no references to humanity, civilization, or women or children, and only once was there a statement that in the last three months child mortality has trebled, and this was simply mentioned as a cold statistical fact in connection with their request for more condensed milk. It was simply a business session.

The Germans were anxious to enlarge the proposed monthly imports of certain commodities, only to be met with the statement, "I regret



Photograph from the American Relief Administration.

Figure 10: European refrigerator cars used in moving meat from Holland to Germany and elsewhere.

Britain. The first consignment of gold for payment of supplies from America was deposited in the Banque Nationale in Brussels on March 26, 1919. Even before this shipment had arrived the "West Colfax," an American Relief steamer, had been diverted to Hamburg for the Germans. This steamer began discharging her cargo on March 25, anticipating by one day the arrival of the gold then en route to Brussels for the American account.

During March and April, 1919, nearly 75,000 tons of foodstuffs were delivered to Germany by the United States Food Administration in addition to several thousand tons delivered from stocks of the Commission for the Relief of Belgium and smaller amounts from British and French stocks. There can be no question but that these deliveries saved Germany from a fate akin to that of Russia. No country can long resist the inroads of Bolshevism when food conditions reach a point where deaths from actual starvation are of daily occurrence as was the case in Germany during these early months of 1919.⁵

the world's shipping does not make this possible." The Allied delegates refrained from rubbing in the fact that German submarine warfare was entirely responsible for the shortage. Some fishing concessions were granted, some rearrangements of program were accorded, and a reference on some points reserved by the Germans for discussion with Berlin by telephone.

Present at the table, seated at the right hand of Mr. Hoover, was Emile Francqui, a prominent Belgian, whose interest in the welfare of his countrymen had drawn him to Hoover's assistance in 1914. His acquaintance with the men across the table from them both had been a painful one. It was a great day for him and through him for Belgium.

⁵On April 3, 1919, Mr. Hoover wrote to President Wilson setting forth some of the features of the German situation. He said in part:

As quickly as the first German passenger ship left the German harbors (to be turned over to the Allies), and before any of the financial arrangements were completed, I diverted several cargoes intended for other quarters into German harbors, anticipating by about two weeks the settlement of financial questions. You would, I believe, be extremely pleased with the reaction created in Germany by this act, which is evidenced by the German press. The question of food to Germany from the United States has become a byword in Germany due to the three months' delay arising from our difficulties in negotiating with the Allies, and its realization without quibbling over detailed arrangements has created a certain amount of confidence by the people that we are

The total amount of foodstuff delivered to Germany up to the beginning of the new harvest, September 1, 1919, amounted to approximately 1,116,000 tons, including 175,000 tons of fats and milk. This was less than one-half of the amount of breadstuff and fat which Germany would have been permitted to obtain under the Brussels agreement, but it was all that the world supply of food and shipping would permit and all that she could arrange to finance.

In all, Germany deposited in Dutch and Belgian banks 1,053,000,000 gold marks, worth approximately \$250,000,000, to cover the value of the food delivered by the American Relief Administration, the Commission for the Relief of Belgium, and the British Government. The food deliveries to Germany on this account included approximately 250,000,000 pounds of pork and lard. None of the pork products delivered to Germany by the American Relief Administration and the United States Food Administration were purchased in the American market after March 1, 1919, because by this time all control had been removed from the American market and, as pointed out in a later chapter, prices were soaring to new high levels, this time to the detriment of the American consumer. The pork products delivered to Germany represented, in the main, the purchases which had been made by the Relief Administration at Mr. Hoover's orders, in January and February, when he was bending every effort to maintain the price of hogs at the level which he had agreed upon with the producers.

good for our undertaking. I may add, however, that the situation in Germany is extremely dangerous and that I am not at all sure that our food supplies have not arrived sixty days too late. In any event, it is a neck and neck race as to whether food will maintain stability as against the other forces that have grown out of hunger in the meantime.

XIII

WHAT THE CONTINUATION OF THE BLOCKADE MEANT TO EUROPE

Brussels Agreement not a relaxation of the blockade. Germany's need to get to work. French opposed revival of German industry. Discussion in Supreme Economic Council. French attitude. Mr. Hoover's contentions. Preparations for reimposing absolute blockade if Germans refused peace terms. Stoppage of food relief opposed by Mr. Hoover. Post-war world-wide speculation due in part to long-continued blockade of Europe.

THE French delegates had complained bitterly that the provision of the Brussels agreement to allow 370,000 tons of foodstuffs per month into Germany was a complete breakdown of the blockade. As a matter of fact, it was nothing of the sort. This amount of food, if Germany had been able to obtain it all, would not have allowed her to build up stocks. With the German army demobilized, and with German merchant and naval vessels in the Allies' hands, it would have been possible to break this stream of food on a moment's notice. This threat made Germany utterly helpless, and she knew it.

In reality the Brussels agreement represented no relaxation of the blockade beyond the controlled admission of specified amounts of food. Germany was still permitted to export only a limited list of commodities, and these only under specified conditions. The American as well as the British delegates at Paris maintained that what Germany needed was still greater economic freedom and that this could safely be given to her without endangering the peace negotiations. It was their contention that Germany be allowed to get to work, to revive her industries and get her people employed. It was only in this way that Germany could hope to repay any significant portion of the damages which she had done to the world. In order to bring about

this revival it was essential that her trade be freed of all unnecessary restrictions. This was what Mr. Hoover had proposed as far back as November, 1918, and he had kept insisting upon it, in season and out, as the logical thing to do for the good of the Allies themselves.

The French delegates, however, could not see this point. They wanted Germany to pay, but they were afraid to allow her to revive her industries. At the cost of a fearful war they had come out on top and they meant to maintain that position militarily, industrially, and commercially. The fact that Germany's tangible resources were far too small to pay the enormous reparations demanded, or that the only real source of reparations must be the product of German labor, had but little effect upon the French representatives. Germany must be forced to pay anyway.

The incompatibility of the demands for strict enforcement of the blockade and the demand for reparation payment was forcefully pointed out in the memorandum of the financial delegates of the United States, Great Britain, and Italy after the Treves conference. (See page 131.) To this the French had refused to subscribe.

The question of the further relaxation of the blockade against Germany and the neutrals was brought up many times in Paris during the spring of 1919. The following transcript of Minute Number 114 of the Supreme Economic Council at its meeting on April 23, 1919, throws much light on the position of the Allies in this matter. The American delegates attending this meeting were Mr. Hoover and Mr. Henry Robinson of the Shipping Board. The views of the American delegates were expressed by Mr. Hoover.

The chairman [Lord Robert Cecil] urged upon the Council the necessity, in the economic interests of the European nations as a whole, of taking such steps as would publicly encourage and foster at the earliest possible date the resumption of normal trade conditions both in Germany and in other European countries.

He suggested, therefore, that the Council should endeavor to agree upon certain proposals for transmission to the Council of Four for their approval.

The French delegates, speaking on behalf of their government, stated:

(a) That while fully realizing the desirability of a speedy return to normal conditions, they were unable at the present time, in view of the proposed early presentation of the terms of the Preliminaries of Peace to the Germans at Versailles, to concur in any proposals which would result in a further relaxation of the blockade restrictions on Germany.

(b) That they were in favor of an immediate public announcement setting forth what relaxations had already been authorized and what steps had been taken to supply Germany with or to assist her to obtain food. Further, if it were considered desirable as an emergency measure immediately to increase the rations or even to divert cargoes, the French Government would be prepared favorably to consider the proposal.

(c) The French Government was fully prepared immediately to consider in the Council what additional relaxation of trade restrictions should be authorized as soon as the Preliminaries of Peace were signed, and what means should be adopted to effect the restoration of normal trade conditions all over the world.

The American delegates observed that a statement of their present view would be simply a reiteration of the position taken by them as early as December, 1918; namely, that it was, from a political and an economic standpoint, against the interests of the Allies to continue the blockade on Germany. A view which in their opinion has been amply warranted by subsequent developments. It was their view then and now that the blockade, in preventing the population of Germany from returning to productivity and employment, could only stimulate social disorder and undermine the possibilities of peace. That from an economic point of view the only hope of reparation to the Allies and of the ability of Germany to feed her population, thereby maintaining order, was by the earliest possible return to productive labor; that with the surrender of the German fleet and the control of the Rhine, the blockade on Germany could be resumed at any moment as a physical blockade, without maintaining the vast machinery that was necessary while Germany was still a potent military power; that the political value of the blockade as a measure for enforcing peace would be materially increased if the German people returned to employment and substantially increased their present standard of living; that this was evidenced by the Austrian situation whereby order was

maintained by threat of cessation of the thin stream of food which kept the population alive. The only hope for the reconstruction of Germany, her return to productivity and orderly government, or her ability to pay reparation lies with the middle classes, who are totally discouraged and who show a tendency to despair and complete inactivity by reason of which the whole possibilities of peace are jeopardized. The extension of unemployment in Germany since the Armistice and the acute food situation both build constructively for Bolshevism, and with Bolshevism there could be no peace in Europe. The American delegates wished to emphasize the fact that they would not be a party to any proposal which would damage the interest of France, but they felt that in adopting the principle which they had adhered to they were doing France the best service of which their government was capable.

Replying to the suggestion of the French delegates, they felt that a review of what had been accomplished under the relaxation of the blockade would make but a meager showing due to the amount of mechanical restriction that had been placed around every effort at relaxation; that it was impossible for credit and trade to revive so long as these restrictions existed; that the total result was to draw a stream of gold out of Germany. They further stated that it was the view of the Government of the United States that there was no question of blockade measures after peace, as with peace the blockade falls.

The French delegates pointed out that ever since the Armistice their government held the view that Germany should be fed and that the execution of a revictualing program should be a common charge on the Inter-Allied organizations already existing at the time of the Armistice which would secure fair distribution as between the Allies and Germany, the necessary finance being supplied by joint Allied loans. This proposal could not be carried into effect, as the United States Government was unable to concur therein. It appears to the French delegates, therefore, that the delays in the execution of a program have been due to financial difficulties rather than to blockade restrictions.

Further, in two instances where Germany has had materials for export—namely, coal and dyestuffs—she has evinced no desire to carry the negotiations to a successful conclusion.

The American delegates remarked there was a total diversion of view as to principle. They had held from the beginning that the only basis of food supplies should be the exchange of products, and that the employment involved in their production was of

equal importance politically and economically with the supply itself; that from the American point of view the French financial proposals meant only a further increase in the burden of credit already assumed by the United States, as the cycle suggested by the French delegates simply involved further extension of credits by the United States to Europe; that in this connection they had recently prepared an estimate showing that during the present harvest year the United States will have supplied Europe with foodstuffs to the value of $2\frac{1}{2}$ billion dollars, for which it will have received in payment only 400 million dollars in goods or securities; that there was an absolute limit to the amount that can be drawn from any bank.

The Italian delegate said that having regard to the economic side of the question he concurred in the Chairman's proposition. The lifting of the blockade was also essential in order to show that after that something more in the way of financial arrangements was necessary in order to restore normal life and that it was in the general interest that this should be realized immediately.

The American, Italian, and British delegates then considered in detail the proposals put forward by the Chairman, the French delegates taking no part in the discussion.

The recommendations finally agreed upon by the American, Italian, and British delegates were submitted to the Council of Four, which in reply, May 5, 1919, stated that although the Council of Heads of States appreciated the importance of the entire suspension of the blockade on Germany, they considered it would be preferable to take no action in the matter at that time.

In a memorandum to President Wilson under date of April 21, 1919, Mr. Hoover, in outlining the serious political situation in Germany at that time, said, in part:

We cannot fail to again mention what we consider is one of the absolute fundamentals to constructively handle this situation. You and all of us have proposed, fought, and plead for the last five months that the blockade on Germany should be taken off, that these people should be allowed to return to production not only to save themselves from starvation and misery but that there should be awakened in them some resolution for continued national life. The situation in Germany today is to a large degree one of complete abandonment of hope. The people have

simply lain down under the threat of Bolshevism in front and the demands of the Allies behind. The people are in a state of moral collapse and there is no resurrection from this except through the restoration of the normal processes of economic life and hope. We have for the last month held that it may be now too late to save the situation. We do think, however, that it is worth one more great effort to bring the Allied countries to realize that all the bars on exports and imports should be taken down without attempts to special national benefits; that the Germans should be given an assurance that a certain amount of ships and working capital will be left in their hands with which to restart the national machine.

We feel also from an American point of view that the refusal of the Allies to accept these primary considerations during the last three months leaves them with the total responsibility for what is now impending.

As the time drew near for the submission of the peace terms to the Germans, there was much doubt as to whether Germany could be forced to sign on the dotted line. The terms were admittedly severe, but the Allies contended that as victors in a terrific and costly struggle they were entitled to dictate the peace terms and Germany was to be given no chance to argue. She was either to sign the terms as laid down or not to sign.

If Germany refused to sign, elaborate preparations were made to bring pressure upon her. The Allied armies were in readiness to cross the Rhine and occupy the whole of Germany if necessary. The blockade was to be enforced at once, and on the day that the peace terms were to be placed before the German delegates at Versailles, all merchant shipping of the Associated and neutral nations was ordered out of German waters and the Allied naval forces were distributed so as to bring further pressure if needed.

These were the provisions deemed necessary by the Allied governments and in large measure they prevailed over the protests of American representatives who did not believe, in view of Germany's condition, that such minute provisions, involving serious interruption of trade and business, were necessary.

On May 14, 1919, Mr. Hoover wrote to the President, in part, as follows:

DEAR MR. PRESIDENT:

The principal objects for which I have been asking for an interview have been:

First, that I might express to you my strong view that we should not be led into joining with the Allies in a food blockade against Germany as a method of forcing peace. The margins on which the German people must live from now until next harvest are so small that any cessation of the stream of food, even for a short time, will bring the most wholesale loss of life. It might be that the imposition of a blockade would be effectual in securing the German signature to the peace. I seriously doubt that the world, when it has recovered its moral equilibrium, will consider a peace obtained upon such a device as the starving of women and children as being binding upon the German people. If the Germans did resist, it is my impression that it would throw Germany into complete chaos and military occupation would need to follow in order to save Europe.

My second point is that I am placed in a serious embarrassment by the threat of a blockade, because we have a constant stream of nearly 100 million dollars' worth of food in motion towards Germany. With all the effort they make, they are scarcely able to keep pace with their gold and security payments with the actual arrivals in Germany, so that the total risk of this vast current of foodstuffs is now falling on our shoulders. If the current were stopped, it would mean we would have to pile up large amounts of foodstuffs in Europe, a large part of which is not of the type at present salable to the Allied countries. For instance, we are shipping rye, which the Allies do not eat, and types of fats of which the Allies have ample supply. We would have to face very great loss and seriously jeopardize the financial stability of the Food Administration. I have been willing to take the risk, in the feeling that without it, peace and stability will not be secured, but I seriously doubt whether I have any right to involve you in the ensuing difficulties if I were to continue without your approval after I knew the gate to Germany would probably be closed.

In conformity with Mr. Hoover's ideas, the Supreme War Council permitted the United States Food Administration to continue its food deliveries throughout the period

when Germany's acceptance of the peace terms remained to be signified. These deliveries were continued through German ports, without interruption, both for Germany itself and for transshipment through Germany for Poland and Czechoslovakia. Local disturbances took place at many points within Germany when the peace terms became known, but in no instance were American food cargoes or food deliveries disturbed.

The great increase in the risks assumed by the United States Food Administration in its enormous shipments of food to Germany and contiguous countries is referred to in the above letter from Mr. Hoover. This matter was brought before the Supreme Economic Council at several times and Mr. Hoover finally secured a resolution through that body stating that any losses suffered by the United States Food Administration through the reimposition of the blockade on Germany should be regarded as a joint Allied responsibility. However, no losses were suffered on this account.

The blockade of Germany was finally raised on the first of July, 1919, as soon as information had been received that the Treaty of Peace had been accepted by Germany.

The long-continued blockade of Germany undoubtedly had an important effect upon all the countries of the world and was one of the significant causes of the enormous speculative rise in prices in the latter part of 1919. Testifying before a subcommittee of the United States House of Representatives at a session held in Paris on September 2, 1919, Mr. Hoover said apropos of this subject:¹

The problem has to be stated a little bit at length. In the first place, to get back to the last four months, the delay in the termination of the blockade is, to my mind, the root of the present difficulties. The whole commercial world, dealing in food and other commodities as well, has conceived that there was an enormous vacuum to be filled in Central and Eastern

¹Hearings before Subcommittee Number 3 (Foreign Expenditures) of the Select Committee on Expenditures in the War Department. House of Representatives, 66th Congress, First Session, Government Printing Office, Washington, 1919.

Europe with food supplies and other commodities. That is literally true, and the world has been speculating on the opening of that vacuum. That has not been speculation confined to the United States. Merchants of Calcutta, Singapore, Shanghai, Australia, and of all the world have been busy speculating on the probable demands of Central and Eastern Europe. For instance, the price of vegetable oils has gone up enormously all over the world and at a much higher rate than in the United States, and the speculative rise in foodstuffs anywhere in the world affects the American market. Now, it is very difficult to put your finger on that speculation as to a specific individual, because a speculator in London buys futures of American foodstuffs through Liverpool, and a merchant in Calcutta may buy vegetable oils in Egypt, and so you go; but the cumulative result of all this speculation has been to lift the price level all over the world. The blockade was finally taken down on the 1st of July. The American authorities fought that blockade from the day of the Armistice, and I stated repeatedly that the only thing that was lifting the price level was the continuation of the blockade and its stimulation of speculation. If the blockade had been taken down promptly, the actual situation in Central Europe would have become patent and that phenomenon would not have accumulated. The blockade came down and the whole mercantile world is just now beginning to realize that Central Europe has nothing to pay with except its local currency and that the local currency cannot be transformed into gold unless all of those countries can secure credit. Now, we have a very pertinent incident of this sort at the present moment. In the northern ports, the neutral northern ports, running all the way from Amsterdam to Rotterdam, Copenhagen, Stockholm, and so forth, the wharves and warehouses are so filled with foodstuffs that they are no longer able to discharge ships there, and ships have been on demurrage for the last month or two loaded with food. That stuff has arrived from all quarters of the globe, and they are just beginning to realize that Poland, Czechoslovakia, the Balkan states, and all of those people have nothing to pay with but their local currency, and the individual merchant finds himself in trouble because he cannot accept that currency unless he can transform it into gold.

Had it not been for the long continuation of the blockade, merchants throughout the world would have learned earlier and gradually that these European countries lacked the means of paying for these commodities although there can

be no doubt as to their needs. In that case much of the ensuing speculation and price pyramiding would have been avoided and the drastic world-wide price decline of 1920 might, to some degree, have been avoided.

XIV

RELIEF TO THE LIBERATED COUNTRIES

Results of the upheaval in Europe. Necessity for securing Allies' cooperation in relief measures. Proposal for Inter-Allied relief board opposed by American officials. Mr. Hoover's decision to secure action. Supreme Council of Supply and Relief. Food Section of Supreme Economic Council. Relief measures taken by the United States. Advance purchases of pork to relieve American hog market. Difficulties encountered in coordinating relief deliveries.

THE upheaval of Europe after more than four years of intensive war resulted in the birth of a large number of new nations. For the most part these represented the fragmentation of the old Central Empires or else a separation from the western edge of the former Russian Empire. Still other countries which had been under the domination of the Entente during the war had suffered severe losses in industrial equipment and food supplies with the withdrawal of the occupying armies. None of these nations possessed either financial resources or credit or the commercial organization necessary to meet the immediate needs of their distressed peoples. A full dozen countries were in this situation after the Armistice. Among them were Poland, Czechoslovakia, Latvia, Lithuania, Esthonia, Finland, Hungary, Austria, Serbia, Roumania, and Armenia, as well as other portions of southern and northwest Russia. In the main, these were the territories which had been liberated from the domination of the Central Empires with the victory of the Allies. Some, like Austria, were technically regarded as enemies, but in respect of their needs and their lack of resources they were in the same position as the so-called liberated countries.

In connection with the Armistice, the Associated governments had promised to furnish needed food relief to these countries. The organization and direction of this relief had

been one of the prime objects of Mr. Hoover's post-armistice trip to Europe.¹ This could, of course, only be accomplished with the aid and cooperation of the Allied Powers. Even had it been desirable or had finances been available, it would have been quite impossible politically for the United States to have undertaken this relief work alone. The liberated countries were a joint responsibility of the Allied and Associated governments and it was essential that there should be whole-hearted cooperation in any relief measures which were undertaken. Moreover, the Allied governments continued the blockade control and therefore must be cooperated with.

When Mr. Hoover sailed from the United States in November, 1918, he had hoped that a satisfactory basis of cooperation for this relief work could quickly be arrived at. However, considerable opposition and delay were encountered. The Allied countries, under the leadership of Great Britain, had consolidated their buying of all essential products during the war. When the question of relief to the liberated territories came up, they proposed to utilize these agencies and further proposed that the direction of the relief work should be placed in the hands of an Inter-Allied Board, consisting of two members from each of the four Associated governments.

This arrangement was strongly opposed by Mr. Hoover and the other American representatives. At the outset, it was clear that practically the whole of the relief supplies and certainly the greater portion of the finance would have to be furnished by the United States. Under these conditions it was felt that the United States must maintain control over its own resources and that this country could not delegate the predominant voice as to the distribution of these supplies to other nations.²

¹See page 79, Chapter VII.

²In this connection, President Wilson requested Colonel E. M. House to present a memorandum from him to the Allied governments. This memorandum communicated on December 1, 1918, read in part as follows:

After a discussion lasting upwards of a month without attaining any practical results, the food situation in certain parts of Europe had become extremely critical. Mr. Hoover, therefore, decided to get some action which would enable him to feed hungry men, women, and children rather than to wait until the Allied diplomats had decided upon a formula. Accordingly, on December 16, 1918, he addressed a memorandum to President Wilson and the American Commission

I have given much thought to the formulation of the most practicable means of carrying into effect the resolution presented by Colonel House at Versailles to the effect that the Supreme War Council in a spirit of humanity desired to cooperate in making available, as far as possible, supplies necessary for the relief of the civilian populations of the European countries affected by the war.

In considering this matter I have had constantly in mind the urgent necessity of the case and the fact that it is essential in the working out of relief of this character on a large scale, that there be a unity of direction similar in character to that which has proved so successful under French and British Chief Command in the operations of the Allies on the land and on the sea respectively. I suggest that the Supreme War Council proceed along the following lines:

In order to secure effective administration there should be created a Director General of Relief whose field of activities will cover not only enemy populations but also the whole of the populations liberated from enemy yoke and the neutrals contiguous to these territories.

It is obvious that present Inter-Allied administrative arrangements cover the Allied countries themselves and if the whole of the world's food supplies could be made available through sufficient shipping, there appears to be a sufficiency to take effective care of these other populations, provided that these supplies are administered with care, with economy, and with single direction.

In the operations of the Director General of Relief, he would, of course, purchase and sell foodstuffs to enemy populations and therefore not require financial assistance in this particular further than working capital. In the relief of newly liberated peoples such as Belgium, Poland, Servia (including Jugo-Slavia), and Bohemia, it will no doubt be necessary to provide temporary advances from the Associated Governments to these recuperating nationalities with which they can purchase supplies from the Director General, such arrangements to be worked out by the Associated Treasuries. In some cases public charity may have to be mobilized.

It is evident that after the Allies have supplied themselves from their own territories at home and abroad and the balance from other sources, the only effective source of surplus supplies available for relief lies to a minor extent in the Argentine but to a vast preponderance in the United States. The Director General will have a large command of American resources and markets and will require the individual support of the American people in saving and productive activities.

Owing to the political necessity of American control over American

to Negotiate Peace calling attention to the serious food situation in Vienna and Serbia and suggested that the American Government take independent action but invite the Allies to cooperate if they wished. This proposal was approved and on December 16, Colonel House, at the President's direction, wrote letters to the Foreign Ministers of the Allied countries, Messrs. Balfour, Pichon, and Sonnino, to this effect and invited them to cooperate.³

resources and the greater coordination and efficiency to be obtained thereby, I am sure that you will agree with me that the Office of Director General of Relief must be held initially by the United States Food Administrator and in case of necessity by such a successor as may be nominated by me. I would suggest, however, that the policies of the Director General should be determined by the Supreme War Council, to whom he should report, it being our united policies in these matters not only to save life but also to stabilize governments.

All these arrangements to be for the period of emergency and it is highly desirable for them to be liquidated as fast as practicable.

*The text of Colonel House's letter is as follows:

December 16, 1918

DEAR MR. BALFOUR:

The President requests me to say that the discussions of his proposal of December 1 submitted through me, for the creation of a European Relief Administration and the appointment of a Director General of Relief, have been reported to him. He entertains no doubt but that he will receive in due course from the Allied Governments a reply to that note, but it appears from the discussions that some time will be required to reconcile the differences of view involved in the undertaking.

The objects of the United States Government in connection with food supply—which concern only the Armistice—are to save lives, to preserve order throughout the liberated, neutral, and enemy territories, and to create an efficient organization to accomplish these purposes. In these purposes he feels assured of your entire sympathy and co-operation.

Pending further discussions of the entire problem, however, the situation in certain areas is of so critical a nature, and requires such immediate emergency action, that he wishes me to inform you that he is instructing the United States Food Administration to take measures at once to furnish food supplies and to establish an organization to this end in certain places outside of Germany.

Taking it for granted that you will also be anxious to undertake immediate action in these matters through your various food departments and in order that there shall be full coordination in this task he has asked Mr. Hoover to indicate to you these situations and points at which he proposes to establish representatives for the administration of relief measures, so that if you see fit, you may also send your representatives to these points and these gentlemen may mutually coordinate their various efforts.

Mr. Hoover proceeded at once to put these measures into effect and on December 20 dispatched Col. W. G. Atwood, of the United States Army, to Belgrade to set up relations with the Serbian Government, at the same time notifying the Allies of this action and asking that they delegate some one to cooperate with Colonel Atwood.

Spurred by this concrete evidence of activity, the British and French decided to join and named delegates for the several points at which Mr. Hoover had started operations. With relief work actually under way, the negotiations for a definite coordinating organization were materially hastened, and on December 31 the four Associated governments agreed upon the establishment of a Supreme Council of Supply and Relief to which each government was to appoint two delegates.

In spite of the urgency of the situation and the repeated attempts by Mr. Hoover, it was not possible to hold the first meeting of this Council until January 11, 1919. At this meeting, held in Paris, it was decided that the actual business of coordinating the relief activities could best be performed by a Permanent Committee of the Council, and this was accordingly appointed and became the real body through which the relief work was carried on until the formation of the Supreme Economic Council. Mr. Hoover was named as Director General of Relief in Europe.

During the two months following the Armistice in which Mr. Hoover had earnestly endeavored to secure an agreement with the Allies upon some plan of cooperation acceptable to the American Government, the food situation in the liberated countries had become more and more desperate. During this period also the situation in the American market had reached a crisis. At the end of December the Allies had refused to open the blockade and the British had canceled all orders for pork. But it was not until near the middle of January that the Allies finally participated in the American proposal for the organization of the relief work and that Mr. Hoover was actually made Director General of Relief.

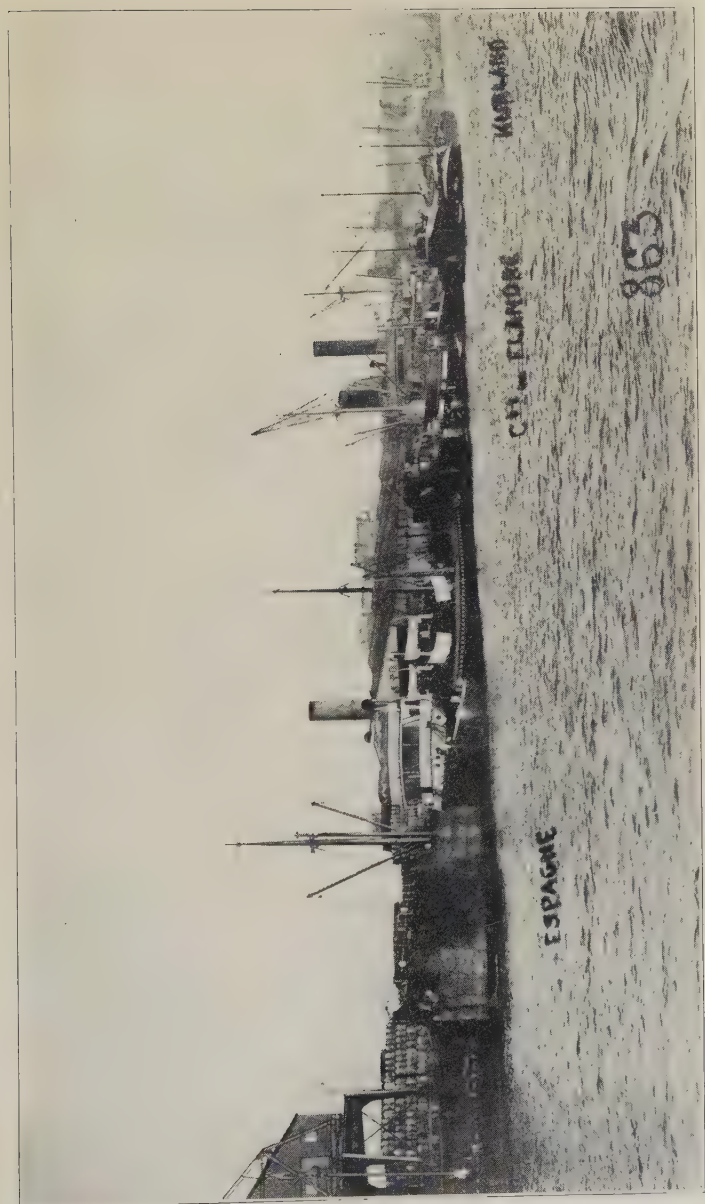
Even then the Allied governments were either unable or unwilling to furnish any immediate material assistance in financing the relief work, and the first burden of it had to be carried by the Americans. However, the definite agreement by the Allies upon a plan of action and the establishment of the Supreme Council of Supply and Relief enabled the American representatives to go ahead with certain phases of this work which had been impossible until this agreement was reached.

At a later date (February 27, 1919) the Council of Supply and Relief was transformed into the Food Section of the Supreme Economic Council, through which its action was coordinated with the Supreme War Council.⁴ Through the Council of Supply and Relief and later through the Supreme Economic Council it was possible to coordinate, under the direction of the Director General of Relief, all of the relief activities of the four governments. This coordination enabled the relief programs for the several liberated countries to be formulated and carried out—a task which would have been impossible for the United States working alone because of the many political questions which, of necessity, were involved. This coordination also permitted several joint actions to be taken by the Associated governments, as, for example, the delivery of relief supplies to Austria valued at \$48,000,000 and financed jointly by the United States, Italy, France, and Great Britain.⁵ This action assisted in relieving the American market of some of its surplus supplies.

⁴See footnote on page 127.

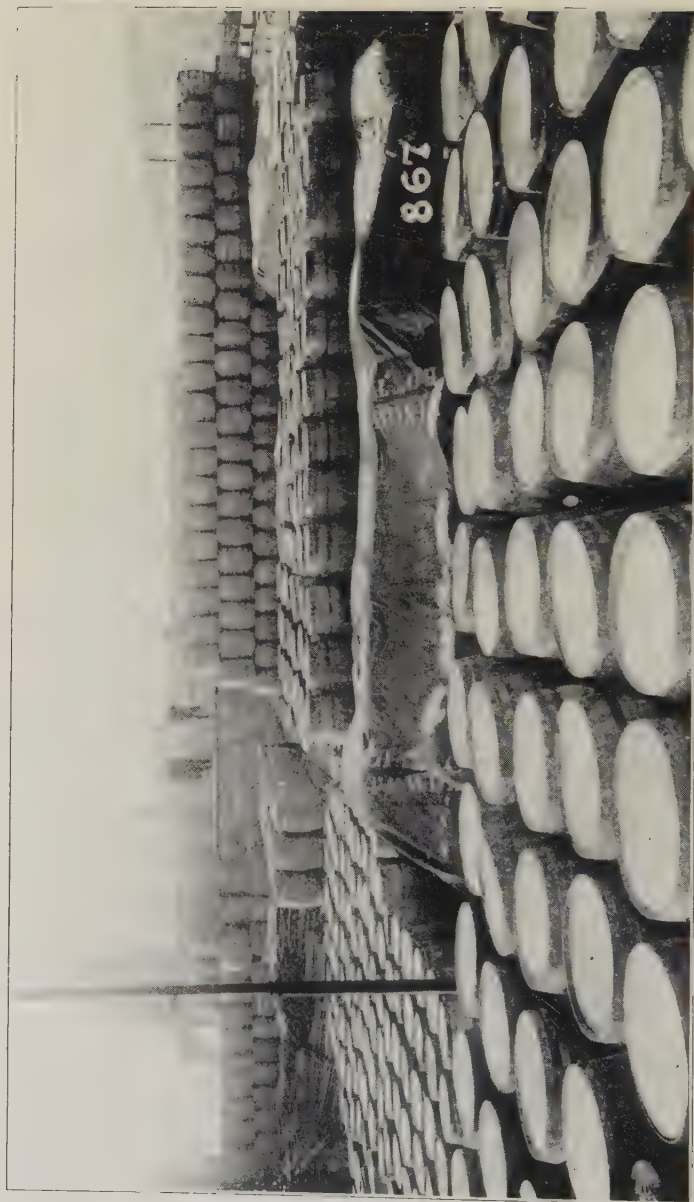
⁵The following table summarizes the total deliveries of all relief supplies under the direction of the Director General of Relief in the period from November 11, 1918, to August 31, 1919:

Delivered by	Total Tonnage	Approximate Value
United States	3,376,831	\$880,730,405
British Empire	474,886	119,884,821
France	88,019	27,404,724
Italy	64,842	21,118,077
Financed jointly by United States, Italy, France, and Great Britain	345,840	48,000,000
Other Countries	408,649	50,494,204
Total	4,759,049	\$1,147,632,231



ENLARGED BY THE AMERICAN RELIEF ADMINISTRATION.

Figure 11: American Relief ships loading pork and other foodstuffs for Europe. More than 300 shiploads of relief food from the United States were discharged at some 40 European ports during the nine months between the Armistice and September 1, 1919.



Photograph from the American Relief Administration.

Figure 12: Relief shipments of American pork and lard on the dock at Rotterdam ready for transshipment to Northern and Central Europe.

Shortly after the Armistice, the President had authorized the Food Administration Grain Corporation to extend its sphere of operation outside of the United States. The purpose of this extension was to assist both in the relief work and also in the disposal of American surplus food products. A bill was also introduced in Congress making a special appropriation for the relief of the liberated countries of Europe. Owing to delays incident to legislative action, this measure did not pass both Houses of Congress until near the end of February.⁶ It carried a special appropriation of \$100,000,000 which could be used as a revolving fund for relief in non-enemy countries and provided that, so far as possible, expenditures under the act should be reimbursed by the governments of the peoples to whom the relief was furnished.

In the meantime, Mr. Hoover, with the President's approval, had organized the American Relief Administration for the purpose of coordinating the activities of various American organizations, including the United States Food Administration, the Food Administration Grain Corporation, the special congressional appropriation for relief, and public charity. The President also authorized the American Relief Administration to contract with the Grain Corporation to act as its agent in the purchase, storage, and transportation of foodstuff and supplies for the relief work. The ability to utilize the Grain Corporation, with its established commercial machinery as a purchasing and transportation agency, greatly simplified the carrying out of the relief work.⁷

As pointed out in Chapter VII, Mr. Hoover had arranged for the dispatch of some 240,000 tons of foodstuff for relief purposes in Europe, before his departure from the United States on November 18, 1918. Half of this was to be

⁶Act approved February 25, 1919.

⁷In order to expedite this work, the Food Administration Grain Corporation established an office in London in January, 1919. Edward M. Flesh, of St. Louis, second vice-president of the Grain Corporation, was placed in charge of the London office. This office had charge of directing all shipping operations in the European area and also handled all accounting work for the American Relief Administration, including the final settlement of all accounts with the governments to which relief supplies were furnished.

financed provisionally and transported by the War Department. The other half was to be financed provisionally by the Food Administration Grain Corporation. These supplies contained approximately 70,000,000 pounds of pork products and lard, and were designed to form a nucleus for relief and to be available for immediate diversion to points of need as soon as the question of programs and finance for the different liberated territories had been settled.

As stated above, it was the middle of January, 1919, before the question of Allied cooperation in the relief work had been settled and consequently before any definite plans or programs could be made. In the meantime, at the end of December, the raising of the blockade had been refused and the British had canceled their January purchases. The American pork market was in a serious crisis. Without a moment's hesitation Mr. Hoover cabled the Grain Corporation to buy up to 25,000 tons (50,000,000 pounds) of pork and lard for the relief work, although at this time there were no definite programs arranged or any definite means of financing deliveries to the relief areas. In addition to these definite orders, Mr. Hoover cabled the Grain Corporation at later dates, to support the pork market by buying still additional quantities if this support was urgently needed. He was also instrumental in having the American Army and Navy continue a steady buying program during this period and through the Commission for the Relief of Belgium still further advance orders were placed. As previously pointed out, he secured the continued buying of their regular programs by the French and Italians. Also by working diligently on each individual case, he was able to have the ratios of several of the neutral countries increased somewhat.

These measures were sufficient to relieve the greatest pressure on the pork market. However, in the maintenance of this program, considerable credit is due to the American packers, who at the earnest solicitation of the Food Administration maintained the price of hogs at the agreed level when every element in the market supply and demand indi-

cated that the price should recede. Mr. Hoover's confidence in his own analysis of the European food situation made him certain that these products would have to be utilized by Europe before the next harvest. Time and again his letters and cables expressed his conviction that Europe would be woefully short of fats before the middle of the summer.⁸ Later events showed how absolutely correct his analysis of the situation was.

There can be no doubt but that the advance purchase of many thousand tons of these high-priced pork products, for relief purposes, at Mr. Hoover's request, represented the balance that saved the hog market from a ruinous collapse during the months of heavy marketing, particularly January and February, 1919. With the opening of the neutral and enemy markets in March these surplus products were disposed of for cash without any loss to the government.

It must not be thought that even after the definite formation of the Allied coordinating councils that all went smoothly with the delivery of relief supplies. Throughout this whole period Mr. Hoover was constantly engaged in smoothing out difficulties and removing obstacles from the path of these operations. Sometimes he did this by entreaty and appeals to a sense of justice and humanity and sometimes he used the threat of the power he possessed as practically the food dictator of Europe.

Statements and quotations⁹ in the preceding chapters have indicated some of these difficulties, many of which arose through the misunderstanding of minor and subordinate officials. The following telegram, dated February 16, 1919, from Mr. Hoover to Captain T. T. C. Gregory, head of the American Relief Mission at Trieste, from which point supplies were being sent to Czechoslovakia, is a sample of some of the methods which had to be used.

⁸For example, see cable of December 24, 1918, quoted on page 83, and his message to the meeting of farmers and packers on January 28, 1918, quoted on page 106.

⁹See, for example, page 94.

You have reported to me that the Italian Chief of Staff at Trieste has advised you and the British and French representatives of the Allied mission at Trieste that he declines to recognize your Allied mission which has been created by authority of the Supreme War Council. I, in my capacity as Director General of Supply and Relief, acting under authority of the Supreme War Council, direct you to call in person on the Superior Italian Commander in the Adriatic, advise him of the action of this Italian Chief of Staff which must necessarily be without cognizance of the Italian Government in view of the fact that the mission at Trieste was established by the Supreme Council, on which Council the Italian Government is represented. Show this telegram to the Italian Commander and ask him in my name to be kind enough to correct the existing situation. Report his response by wire for my information. Hoover.

And again a telegram to Mr. Hoover from Col. W. B. Causey, dated February 22, 1919:

Since arrival of Giufride, Italian Commissioner at Trieste, there is a decided improvement in cooperation between Italian Government and Food Mission. However, Italians advised us at 4 o'clock this afternoon that diplomatic relations with Jugo-Slavs had been severed for the time being. This closes all traffic on the Southern railway, the main route of travel to Vienna. All food trains are being detoured to avoid Jugo-Slav territory. This route permits a movement of a maximum of three trains per day, about 1,000 tons of foodstuffs. Southern railway must be opened to traffic if congestion of food supplies at Trieste is to be relieved.

Another instance out of many that might be quoted is the following from a memorandum submitted to the Food Section of the Supreme Economic Council at its meeting on February 27, 1919:

On Tuesday, February 18, Captain I. C. Green [American Relief Representative in Roumania] was informed by Mr. Constantinescu, Roumanian Minister of Economics and Interior, that General Berthelot [French Military Commander in Roumania] had stated to him that Captain Green was not the representative of the Inter-Allied Food Mission but that he, General Berthelot, was the sole representative and that Captain Green was an outsider; that he intended to increase his commission to handle all *ravitaillement* [relief]; that the *ravitaillement* work was to be solely in the hands of the French. General Berthelot further

stated that the Roumanian Government had no business or right to turn over to Mr. Hoover the five Roumanian steamers to proceed to Gibraltar for orders on their way to load food for Roumania, but that these steamers should have been turned over to him.

At Mr. Hoover's suggestion, the Food Section passed a resolution requesting that the French representatives in Roumania be notified that the Military Committee had nothing whatever to do with food matters, all of which had been delegated to the Food Section of the Supreme Economic Council.

XV

DEMAND FOR DECONTROL OF HOG PRICES BY AMERICAN TRADE AND GOVERNMENT OFFICIALS

Food Administration promise to producers. Control could not be withdrawn while Allied Governments maintained consolidated buying agencies. Demand for removal by trade bodies. Demands from Government officials. Cable to President from Secretary Glass. Pressure too strong to resist. Responsibility on Cabinet. Letter from Mr. Hoover to the President. War Trade Board action. Letter from President Wilson.

At the meeting of the Agricultural Advisory Committee with the Food Administration in October, 1918, (see page 72) it was the understanding that for pigs farrowed in the spring of 1918 the Food Administration would attempt, so far as its control of Allied and government buying would permit, to maintain the price of live hogs at Chicago at \$17.50 per hundred or at some other equitable price to be determined from month to month by joint conference with the producers. The earliest time by which the major portion of these hogs could be marketed would be March, 1919. The Food Administration, therefore, felt that if the price could be maintained at the stabilized level until the latter part of March, it would have discharged the moral obligation of the United States Government to the hog producers. The story of the strenuous struggle to maintain this obligation has been brought out.

During this struggle, as shown by the letters quoted, Mr. Hoover had proposed that both the Allies and the United States remove all government control, at the same time opening up completely the neutral and enemy markets. Mr. Hoover knew that the demand for pork in these markets was so great that there would be no difficulty in maintaining the American price. However, he rightly contended that the

withdrawal of American control must be contingent upon the withdrawal of government buying control by the Allies. The plan of the Food Administration for government control of foreign selling had been set up to counteract the effect of consolidated government buying on the part of the Allies. Without this, our producers and packers would have been at the mercy of the Allied buyers in case a surplus developed. Consolidated control of selling could only be removed when consolidated buying was withdrawn and an open and free market established.

DEMAND FOR REMOVAL IN THE UNITED STATES

In the meantime, however, there had arisen in the United States a definite demand for the withdrawal of government control on all products. And thus the battle to maintain the assurances to the American farmer shifted at times from the European to the home front. There were many people who believed that America should return, as early as possible, to normal commercial methods of trade, even though there should be some temporary fluctuation of price levels. With this attitude, Mr. Hoover was in sympathy wherever it could be done without injustice to the producer or the consumer. Accordingly, the Food Administration had removed all restrictions on the trade in food products just as rapidly as conditions warranted. Restrictions on most commodities were removed during December, 1918. By February, 1919, the only commodities still on the controlled list were wheat, pork, rice, sugar, and cottonseed products. Wheat was controlled under special Congressional enactment, and any change depended upon Congress. The control of sugar by the Sugar Equalization Board included contracts with the Cuban and American producers and could not be liquidated before the end of the sugar crop year. The other products were still traded in by centralized buying agencies of the Allies.

Those who believed that stabilization should cease at any

cost, claimed that the price of pork was too high and was maintained on an artificial level to the detriment of the consumer. By February these protests became more insistent. The New York Produce Exchange passed a resolution expressing the opinion that except for this stabilization, the price of pork would fall 40% or more. The Chicago Board of Trade expressed similar views. However, they failed to state that such a drop would result in the loss of millions of dollars by farmers who had produced hogs from high-priced feed in good faith.

DEMAND FOR REMOVAL FROM HIGH GOVERNMENT OFFICIALS

These were not the only groups which expressed these sentiments. The demand for the removal of stabilization came from Congressmen and from members of the Cabinet.

On January 16, 1919, the Secretary of the Treasury, Carter Glass, in a letter already quoted (Chapter X, page 115) wrote to Edgar Rickard, acting Food Administrator in Mr. Hoover's absence, stating that it was the view of the Treasury that a fall in food prices in the United States would be of great benefit and that there could be no recovery of industry until such a decline occurred. He stated that the sooner this took place and all trade returned to a free commercial basis, the better for all concerned.

In the reply to this letter, the Food Administration¹ expressed entire sympathy with this view on general principles but pointed out that there could be no freedom of trade established as long as Allied buying remained in the hands of the consolidated purchasing agencies and further that the government had pledged its word to the producers of certain commodities, such as hogs, that it would do all in its power to maintain an equitable price until their surplus production, undertaken at the government's request, was marketed. The Food Administration was unwilling to abrogate the moral responsibilities contained in this promise to the producers.

¹Quoted in full in Chapter X, page 116.

That the Treasury did not agree with this point of view was clearly shown by the reply to this letter and again by a later cable sent by the Secretary of the Treasury to President Wilson in Paris. This cable, sent on February 11, 1919, read as follows:

FOR THE PRESIDENT FROM GLASS:

I desire to bring to your attention the importance of taking steps to reduce the cost of living and to remove dissatisfaction growing out of the feeling that prices of food commodities are being artificially maintained by governmental action. I have just received a strong letter urging importance of this from the Director of Railroads, the largest employer of labor, and from this and other evidence I am convinced that a situation exists which calls for prompt action.

As labor becomes unemployed or only partly employed, the situation becomes more pressing in Europe. Mr. Hoover is naturally impressed with the international phases of the food question and with the problem of fulfilling the moral obligations he feels he is under to food producers and securing the best possible prices for our food products in foreign markets. I am convinced that the broader national aspects of the question are far more important and that the ultimate loss which we shall sustain through maintenance of artificial prices, as, for instance, in the case of wheat, pork, and sugar, will far exceed the amount which would be necessary to compensate all those to whom the government is under any moral or legal obligation. I believe some members of the Food Administration think food prices would in some cases increase if restrictions were removed, but I think this would not happen to any relatively important extent, and that in any event it is highly desirable that all prices should be allowed to find, as promptly as possible, their economic level, and that there should be no grounds for a claim that high prices are due to governmental restrictions.

I have submitted this cable to the Cabinet and they unanimously recommend immediate removal of artificial food prices.

Other members of the Cabinet took similar views to those expressed by Secretary Glass. On February 17, 1919, Secretary of Commerce, Wm. C. Redfield, wrote to the Food Administration strongly condemning the attitude of maintaining stabilized prices on any commodity, even wheat.

By the end of February the demand for the release of stabilization of pork prices became even stronger. On February 19, 1919, Mr. Hoover cabled to the Food Administration in part as follows:

Cabinet has unanimously recommended to the President, through Glass, the abandonment of all price control.... It certainly appears to me that the moral responsibility in this matter is upon the government as a whole and that as the Cabinet is the responsible government body in these matters, if they wish to take the moral responsibility involved in this action on their own shoulders, they should do so, but their responsibility should be made perfectly clear to the producers.... I cannot believe but that the action of the Cabinet is genuine, based upon weighty considerations and that they are prepared to accept the responsibility involved.

The Cabinet, in recommending the immediate discontinuance of all price stabilization, suggested that, if necessary, Congress should appropriate money to indemnify producers, manufacturers, and dealers for their losses. On this point Mr. Hoover wrote President Wilson on February 24, 1919, as follows:

It is my understanding of the suggestion of the Cabinet, that Congress should undertake the compensation of all those who become losers from the alteration of Congressional or moral guaranties. In order to do this, Congress would have to make provision in advance for liquidating payment to probably 15,000,000 individuals in the United States. Unless this advance provision were made, there would ensue the most disastrous financial collapse. Furthermore, taking a world view over the next four months, while some drop in prices might follow removal of control, the world situation on the few remaining commodities is such that even higher prices than the present might rule.

The Food Administration maintained that in justice to the producer the stabilization of pork prices should be continued until the end of March, 1919, by which time the hogs produced under the stimulus of the Food Administration would practically all have been marketed.

By its active opposition to the proposal by the Cabinet in

Washington, the Food Administration had been able to delay action with regard to the decontrol of pork from early in January to the early part of March. During these nine weeks Mr. Hoover had held the situation in one way or another even to the extent of buying and storing a part of the enormous surplus production against the needs of Germany and eastern Europe. At the first of March, stocks of pork products in the United States were still large but production was declining. The big run of hogs was over a few weeks earlier than anticipated and pork stocks were in strong hands. The Food Administration knew that the German and other European markets would have to be opened sooner or later.

Nevertheless, the Food Administration did believe that the wiser policy would have been to continue stabilization until the end of March, thus making doubly sure of protecting the government's promise to the producer by definite action rather than to leave the possibility that an unstable market might be affected adversely by any sudden gust of ill wind. The objects of the exponents of decontrol were to break down the price, while the Food Administration was endeavoring to bridge over the gap to the farmers until the final opening of Germany and thus a larger demand provided.

WAR TRADE BOARD ACTION

It will be remembered that one of the important features in the control of the price of hogs by the Food Administration was the agreement with the War Trade Board by which that body would issue export licenses for pork products only when the application was accompanied by a Food Administration certificate stating that the products had been sold at a price which was approved by the Food Administration. In February, 1919, those government officials who were opposed to further continuance of price stabilization brought strong pressure upon the War Trade Board to discontinue this arrangement. Such action would nullify all further attempts

at price stabilization. On February 26, 1919, they succeeded in getting the War Trade Board to vote to discontinue the requirement of Food Administration certificates for pork products after March 1, 1919. The Food Administration protested against this action and at a further hearing on February 27, 1919, urged that this action had such far-reaching effects upon governmental policies and governmental obligations that it ought to be taken only with the definite approval of the President. On this, the Food Administration won its point, thus securing still further delay, and the War Trade Board agreed to withhold putting this order into effect until the matter could be presented to the President for his decision.

On March 3, 1919, just before he set out on his return trip to Paris, President Wilson sent the following note to Edgar Rickard in reply to the several protests with regard to the War Trade Board action:

MY DEAR MR. RICKARD:

I have had a number of conferences about the termination of the control over pork exports exercised by the War Trade Board until the first of March, and I must say that my conclusion is that it would not be wise for me to request the War Trade Board to reconsider or rescind their action suspending control the first of this month.

I wish that I had time in the few hours left me to enter into the reasons which have led me to this conclusion. I can only beg you to believe that I have given the most careful and sympathetic consideration to the arguments urged by the Food Administration and am constrained to believe that there is no real legal justification for the further exercise of the restraint which the War Trade Board exercised until the first of March.

Cordially and sincerely yours,

WOODROW WILSON

This action placed the responsibility for the removal of stabilization squarely upon the President and, of course, ended the controversy. The attitude of the Food Administration had been fairly presented, and the responsibility for the change in policy had been definitely assumed by the gov-

ernment itself. The decontrol took place on the 6th of March, as shown later.

The whole situation now depended upon the success of Mr. Hoover's unceasing efforts to get Allied restrictions taken off of food to Germany—which, as seen, was in effect accomplished by the orders of the Supreme Council at the meeting on March 8, followed by the Brussels Agreement on March 13.

The Food Administration had secured enough delay on the home front to serve its purpose. Had stabilization been removed five or six weeks earlier, as its proponents strongly urged, and with European markets still tightly closed, it is certain that there would have been a collapse in hog prices. Thus the delay secured in the action proposed by the Cabinet enabled Mr. Hoover's efforts to open the European markets to come into fruition. This action created the needed outlet for pork products by private trading that not only sustained the price, but, as we shall see, carried it to new high levels.

XVI

RESULTS OF DESTABILIZATION

Mr. Hoover's contentions as to European demand. Termination of control announced. Steps by which control had been made effective. Results of removing stabilization. Speculation increased prices to consumer. Speculation a detriment to producers.

BEFORE the action of the War Trade Board, ending any effective control of pork, was taken, there had been several marked changes in the international pork situation. Mr. Hoover had contended right along that once we were through the first economic chaos attending the change from war to armistice and if the whole of the Central European market could be opened, there would be a demand for pork and other foods far greater than we could supply. During the period of excessive hog marketing in December, January, and February, when he was thwarted in every move to secure an outlet for our heavy production, Mr. Hoover had strongly urged that our control should be removed, *provided the buying control of the Allies was removed and that neutral and enemy markets were made freely available.*

By the first of March these steps had either been taken or were in a fair way to be consummated in the near future. Our heavy production of pork was over; certain of the Allies had stayed out of our market until their supplies were nearly exhausted and they were now forced to compete with Germany and Central Europe in replenishing their stocks. Mr. Hoover in objecting to the risks imposed on the farmer had argued that it would also in the end lead to higher prices to the consumer because, while the price of hogs would break ultimately, the world situation was such that the whole trade would temporarily pass over to speculators.

On March 6, 1919, the Food Administration issued the

following press release terminating all control over the prices of hogs and pork:

The United States Food Administration is officially advised by the War Trade Board that it has rescinded the regulation by which "all applications for license to export pork and pork products to European destinations must have attached thereto a certificate from the United States Food Administration to the effect that the commodity described has been sold for export at a price approved by the Food Administration." At the same time the War Trade Board announces that all pork and pork products have been removed from the Export Conservation List, both actions effective March 6, 1919.

The practical effect of this action of the War Trade Board is to destroy the ability of the United States Food Administration to further stabilize the price of live hogs. It was the desire and has been the endeavor of the Food Administration to continue this stabilization as heretofore and until March 31, when the normal marketing period of hogs farrowed in the spring of 1918 would have terminated. The prices under this stabilization plan have been based chiefly on the cash value of the corn fed to the hogs.

The whole program of stabilization of prices was the outgrowth of the imperative necessity for stimulating hog production for war needs at a time when a dangerous shortage of fats threatened the entire Allied world.

The obligation with respect to the pigs farrowed in the spring of 1918 began with the marketing of September, and would have been terminated March 31. In view, however, of the action of the War Trade Board, the Food Administration can make no further effort to stabilize prices. Nevertheless, from 85% to 90% of the hogs destined for market, which were the objects of this undertaking, have been sold. The European demand for hog products will increase rather than diminish. The supply of live hogs coming to market in March and April will be greatly reduced in numbers. The European markets are opening rapidly to free trading in hog products, and the area to be supplied is being made increasingly accessible. The enemy countries are to be given opportunity to secure hog products and other foods.

It is possible that as a consequence of the general situation the price of hogs and pork may go higher than the stabilized prices which have been maintained and which the Food Administration desired to be continued to March 31, next.

Thus ended as strenuous a struggle as was ever waged to

maintain a moral obligation towards the American farmer. In spite of what seemed to be insuperable difficulties, Mr. Hoover waged, single-handed, a contest with the European Allied governments for a period of over three months. What was still better, he was able to win his fight and succeeded in maintaining the price of hogs above the agreed minimum until approximately 90% of the pigs farrowed in the spring of 1918 had been marketed.

During December, 1918, January and February, 1919, Mr. Hoover had used every resource which he could command in order to absorb the monthly export surplus of 400,000,000 pounds of American pork and lard. The action taken comprised the following steps:

1. Restoration of the French and Italian orders for January and February, of a total of about 300,000,000 pounds,¹
2. Advance purchases of pork and lard for the American Relief Administration to the extent of 120,000,000 pounds for delivery into Eastern Europe.
3. Advance purchases by the Food Administration Grain Corporation totaling 50,000,000 pounds for subsequent delivery into Central Europe.
4. Similar advance purchases for resale to Germany by the Commission for the Relief of Belgium totaling some 70,000,000 pounds.
5. Purchases by the U. S. Army made at this time at Mr. Hoover's request, of which something like 30,000,000 pounds were subsequently transferred to Eastern Europe.
6. Placing of orders by Belgium, Switzerland, Sweden, Holland, and other governments to the extent of nearly 200,000,000 pounds.

These orders, large as they were, were barely sufficient to absorb the surplus and maintain the stabilized price.

RESULTS OF REMOVING STABILIZATION

The result of the removal of stabilization early in March was what Mr. Hoover had predicted. The world market

¹Part of the Italian order was placed with the understanding that if desired it could be resold to Germany when that market was opened. This was done after the signing of the Brussels Agreement.

was understocked and unstable. Although the American Government agencies mentioned above held enormous stocks, these were now destined for the starving people of Central and Eastern Europe under Mr. Hoover's completed arrangements. Immediately speculation began to become evident. The buyers in Allied and neutral countries were forced to come into the market to secure supplies, and prices began to rise. In February, 1919, the average price of hogs in Chicago was \$17.65 per 100 pounds. In March, the first month after the removal of stabilization, the average was \$19.10, in April \$20.40, and by July the average had risen to \$21.85 per hundred, or over \$4 per hundred above the level maintained during stabilization. Instead of securing a decrease in the cost of pork by the removal of stabilization, prices rose because at that particular time there was a heavy foreign demand resulting from opening the blockade, just as Mr. Hoover had predicted from his knowledge of the European food requirements.

This speculation was in no wise caused by any action of the American Food Administration. The moment speculation started, Mr. Hoover ceased placing any orders and did not buy a single pound of pork or lard for any country in Europe after March 1. The surplus stocks which he had accumulated to protect the price guaranties during December, January, and February were sufficient to carry through the entire program of relief to the starving people of Europe. In a letter written to President Wilson on April 18, 1919, Mr. Hoover said:

You will perhaps recollect that six weeks ago, when the Cabinet demanded that we remove the price control of wheat, pork, and cottonseed products, I and my entire staff protested that this was fraught with extreme danger in view of the world situation and the speculative activities that would follow, and that prices would rise. The control of pork products was removed, and the price of hogs rose from \$17.50 to \$21, although I have not purchased any pork products for relief purposes or for Germany since the control was removed.

SPECULATION INCREASED PRICES TO CONSUMER

From the standpoint of the consumer, the rise in the price of hogs after March 1, 1919, was not the most serious result. A period of speculation in pork products ensued which sent the prices of the finished products to much higher relative levels. The Chicago average price of heavy hogs rose from \$17.64 in February, 1919, to \$22.23 in July, 1919. This was an increase of \$4.59 per 100 pounds, or nearly 26%. During the same period the wholesale price of prime lard rose from \$25.20 to \$35.10 per 100 pounds, an increase of \$9.90 per hundred, or nearly 40%, while in the same five months the retail price of lard increased \$10.90 per 100 pounds, or over 35%. Similar marked increases occurred in the wholesale and retail prices of other pork products, resulting in a very much greater hardship on the consumer than if stabilization had been continued for another month until world conditions had become more settled.²

Although the farmers received some benefits from the increased prices for hogs in the late spring and summer of 1919, this rise in price was by no means an unmitigated blessing to them. In the first place, it occurred after the big run of hogs had been marketed, and hence it benefited only a relatively small number of producers. In the second place, this rise in price was due very largely to speculation, much of it world-wide in extent and caused by the then unknown and peculiar conditions in Europe. The food needs of Central Europe were vast, but due to the effects of the continued blockade and the consequent unemployment, consumers had no money with which to purchase this food. This latter fact was not realized by exporters in other countries who seemed to think supplies could be sold at any price. The disillusionment on this score and the severe losses suffered by food exporters to Europe in the latter part of 1919 were largely responsible for the slump in hog prices. Had the

²The following table gives a comparison of the Chicago monthly average price of hogs with the wholesale and retail prices of certain pork products for a period of years:

COMPARISON OF THE CHICAGO MONTHLY AVERAGE PRICE
OF LIVE HOGS WITH THE WHOLESALE AND RETAIL
PRICE OF BACON AND LARD

AVERAGE PRICE OF LIVE HOGS WITH THE RICE OF BACON AND LARD*

100 Pounds)

1917				1918				
BACON		LARD		HOGS	BACON		LARD	
Wholesale, Chicago	Retail	Wholesale, Prime	Retail	Heavy, Chicago	Wholesale, Short Clear Sides	Retail	Wholesale, Prime	Retail
10	\$29.70	\$16.10	\$21.40	\$16.30	\$29.30	\$48.60	\$25.00	\$32.90
10	30.90	17.20	21.90	16.72	28.40	48.40	26.80	33.00
10	33.30	20.00	23.90	16.83	27.90	48.80	26.60	33.20
10	38.20	21.30	26.40	17.15	27.10	49.50	25.80	33.10
10	41.80	22.50	27.80	17.26	26.50	50.50	24.80	32.90
10	42.60	21.20	28.00	16.62	25.00	51.50	24.50	32.60
10	43.00	20.10	27.40	17.72	27.60	52.30	26.40	32.50
10	43.10	22.70	27.70	19.19	27.50	54.00	26.90	33.10
10	44.40	24.20	29.70	19.73	27.80	56.20	27.20	33.60
10	48.70	24.70	31.30	17.85	28.60	57.90	26.60	34.20
10	48.40	27.90	32.70	17.81	28.35	58.30	27.20	34.20
10	48.80	25.40	33.40	17.58	30.10	58.50	25.50	34.20

1920				1921				
BACON		LARD		HOGS	BACON		LARD	
Wholesale, Chicago	Retail	Wholesale, Prime	Retail	Heavy, Chicago	Wholesale, Short Clear Sides	Retail	Wholesale, Prime	Retail
0	\$50.30	\$24.10	\$34.40	\$ 9.31	\$14.30	\$45.70	\$13.60	\$22.30
0	50.30	21.00	32.30	9.16	14.40	44.70	12.50	20.70
0	50.20	21.00	30.40	9.46	15.40	41.90	12.20	19.60
0	51.60	20.00	30.10	8.23	13.90	44.40	10.50	18.40
0	52.60	20.80	29.80	8.20	13.40	43.50	9.70	16.70
0	53.90	20.60	29.30	8.13	13.80	42.90	10.20	16.20
0	54.70	19.10	29.00	9.73	14.20	43.20	12.10	16.70
0	54.90	18.90	27.90	9.69	14.90	43.70	11.90	18.10
0	54.50	20.10	27.90	7.95	13.80	43.00	11.50	17.90
0	54.60	20.60	29.20	7.95	10.50	41.20	10.20	17.20
0	53.00	19.10	28.90	6.84	11.20	39.70	9.80	16.60
0	47.40	14.30	25.60	6.74	11.40	38.70	9.40	15.90

*Wholesale prices are on the Chicago market, while retail prices are the average prices

Food Administration been able to carry out its plan of price stabilization through March, it would have covered the entire period of heavy hog marketing and would have allowed additional time for the ascertainment of the facts by American exporters, regarding the limitations of the European market. It is quite possible that this would, in a large measure, have prevented the excessive speculation, and without the extensive rise in price in the summer of 1919 the disastrous slump in the fall of that year, bringing hog prices as low as \$12 in December, might have been avoided.

One may be pardoned perhaps in taking a certain amount of satisfaction in the fact that certain foreign governments that had refrained from purchasing their agreed quota of pork products at the stabilized price during the early months of 1919, later found it necessary to replenish their depleted stocks at prices very much higher than anything they had experienced during the war.

XVII

WHAT PRICE STABILIZATION MEANT TO AMERICAN FARMERS

Food Administration and farmers' interests. No power to fix prices and no fixed price of hogs maintained. Stabilized price due to voluntary agreements. Stabilized price was maintained at minimum throughout Food Administration's existence. Hog prices held at or above 13 to 1 ratio for most of period. Hog prices maintained above those for many farm products. Hog prices compared with those for non-agricultural raw materials. Purchasing power of hog prices well above pre-war level.

FARMERS throughout the United States responded patriotically to the call of the Food Administration, the Department of Agriculture, and other organizations, both national and local, for an increase in food production. These increased efforts were, to a large extent, guided by the urgent needs of this country and the Allies in their time of stress, rather than by the expectation of large profits. Yet it was too much to expect that any long sustained efforts in production could be based upon returns that did not yield a fair profit above costs. Human nature is such that men in mass action will freely donate large amounts in money or services to patriotic or charitable causes, but these same men would not willingly face a loss of the same amount for the same purposes in carrying on their normal daily enterprises. The pride of success in one's undertakings, the need of security in livelihood, and the sense of reward for individual initiative and industry are strong attributes of mankind, whether on a farm, in a factory, a store, or a profession.

The Food Administration realized that if the efforts for increased hog production were to be sustained, they must be based upon expectations of a stimulative profit by the producer. It was to this aim that the Food Administration bent its efforts during the war, and it was for the fulfilment of promises made to the producer that Mr. Hoover expended

so much energy in the three months following the Armistice.

To a very large extent the farmers of the country regarded themselves as partners with the Food Administration in furnishing the supplies so urgently needed in the Allied cause. What these increased supplies of fats and other foods meant to the Allies in 1917 and 1918 can well be seen from the facts cited in this volume. What these supplies meant to Europe after the Armistice will be pointed out more specifically in the next chapter. The fact that these increased supplies of food, so earnestly and patriotically accumulated, were available, resulted in the saving of millions of human lives and in stabilizing the whole governmental machinery of Europe at a most critical time. The American farmer can well take pride in this contribution to the security of the world.

What might have happened had the Food Administration not undertaken to stabilize hog prices can only be surmised. It has been shown that the hog market was thoroughly demoralized in the summer and fall of 1917. The actual production of hogs was decreasing because of the distortion of relative prices of hogs and feed. The action taken by the Administration was designed to stabilize these prices and to increase production. As pointed out above, these objects, in the long run, could only be accomplished by making the production of hogs profitable to the growers. The fact that the decrease in hogs was stopped and the tide turned to an increase of from around 60,000,000 in the fall of 1917, to more than 74,500,000 on January 1, 1919, is, in itself, sufficient to indicate that the grower was receiving at least a reasonable return for his efforts.

In any consideration of the policies adopted, it must be remembered that the Food Administration had no power to, and did not attempt to, fix the prices of either hogs or pork products. The only thing the Food Administration did attempt to do with regard to hog prices was to place a limit on the minimum price at such a point that, if this alone were received, it would result in some profit to the hog grower.

There was no attempt to fix a maximum price. The market was always free to go as much higher than the minimum as the forces of supply and demand would permit.

It must further be remembered that even the maintenance of a minimum price was due entirely to voluntary agreements of the Food Administrator with the packers, the hog producers, and with the Allied, Government, and Relief buyers. There were never any means of enforcing these agreements or of throwing additional purchases into the market if it showed signs of weakness, except for the few months in the winter of 1918-1919, when Mr. Hoover placed forward orders for Relief and enemy expected requirements in order to sustain the minimum price.

MAINTENANCE OF STABILIZED PRICE

The first announcement relative to a stabilized price of hogs was made by the Food Administration on November 3, 1917.¹ This announcement was made after a careful study and report by a committee appointed to investigate the cost of producing hogs and after numerous conferences with the packers and with foreign and American government buyers.

The significant fact in the hog industry at this time was that although hog prices had increased since the beginning of 1917, corn, the dominant hog feed, had increased very much faster. Heavy hogs at Chicago in January, 1917, averaged to sell at \$10.96 per 100 pounds, and by September of that year the average price was \$18.33, an increase of 67%. But cash corn at Chicago during the same period had increased from \$0.98 per bushel to \$2.07, which was an increase of 111%. The relative prices of the two products, as computed by the Department of Labor, using the year 1913 as a base equal to 100, show an even greater discrepancy. Thus the relative price of cash corn at Chicago in September, 1917, was 331 on the 1913 base, while the corresponding relative price of hogs was only 219.

¹See page 37.

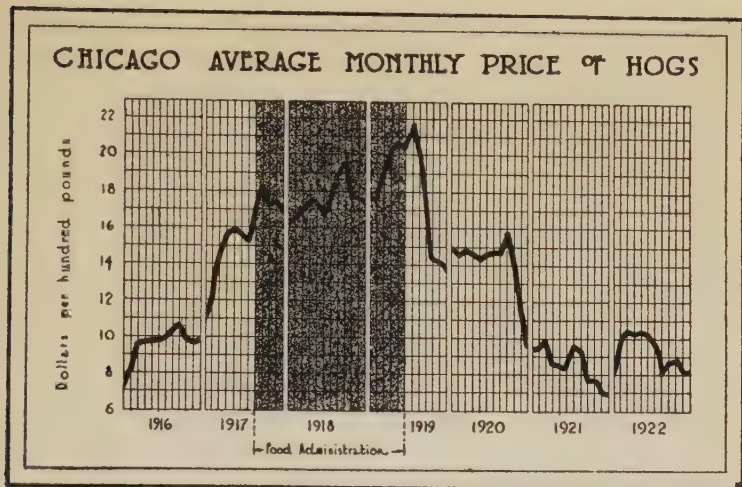


Figure 13: In November, 1917, the Food Administration announced that it would attempt to maintain the average price of hogs at Chicago at \$15.50 per hundred or above. A year later this minimum price was raised to \$17.50. At no time during the Food Administration's existence did the average monthly price fall below these minima.

On the basis of the recommendation by the Committee of Producers, the Food Administration said in November, 1917, that it would attempt to maintain a minimum price of \$15.50 per 100 pounds for the average of packers' droves at Chicago and further that for the hogs farrowed in the spring of 1918 the Administration would try to stabilize the price so that the farmer could count on getting, for each 100 pounds of hog ready for market, 13 times the average cost per bushel of corn fed into them.

The diagram² above (Figure 13) shows the average monthly price of hogs in Chicago for a series of years as compiled by the United States Department of Agriculture. While these quotations are not on exactly the same basis as the Food Administration's "average of packers' droves" they are near enough to serve the purpose. It will be noted that at no time after November, 1917, until the middle of 1919, did the monthly average price of hogs fall below the \$15.50

²For data, see table on pages 188 and 189.

minimum. As a matter of fact, the lowest monthly average price for this whole period was \$16.30, in January, 1918. The highest average price outside of the 1919 peak (reached after the Food Administration stabilization had ceased) was \$19.65, in September, 1918.³

In October, 1918, the Food Administration made a further statement⁴ to the effect that it would attempt to keep the average price of packers' droves, exclusive of throw-outs, at \$17.50 or above. The diagram shows that at no time, from October, 1918, until after the close of the Administration, did the average monthly price fall below \$17.50.

These facts show that the Food Administration maintained the average price of hogs above the agreed minimum and that in spite of the great difficulties encountered, it kept its pledge to the farmers.

THE 13 TO 1 RATIO

In its original declaration of policy on November 3, 1917, the Food Administration had said:

²The following table gives the monthly Chicago average price of hogs and the average farm price of corn in the eight leading corn and hog states, together with the corn-hog ratio based on these prices.

CORN-HOG RATIO—FARM PRICE OF CORN IN EIGHT LEADING CORN AND HOG STATES AND THE CHICAGO AVERAGE PRICE OF HOGS*

Month	1914			1915			1916		
	Corn per Bushel	Hogs per 100 Pounds	Ratio	Corn per Bushel	Hogs per 100 Pounds	Ratio	Corn per Bushel	Hogs per 100 Pounds	Ratio
January.....	\$0.620	\$8.30	13.4	\$0.594	\$6.90	11.6	\$0.576	\$7.20	12.5
February.....	.615	8.60	14.0	.657	6.80	10.4	.623	8.20	13.2
March.....	.598	8.70	14.6	.675	6.75	10.0	.611	9.65	15.8
April.....	.619	8.65	14.0	.669	7.30	10.9	.645	9.75	15.1
May.....	.633	8.45	13.3	.608	7.60	10.9	.673	9.85	14.6
June.....	.659	8.20	12.5	.695	7.60	10.9	.683	9.70	14.2
July.....	.664	8.70	13.1	.694	7.75	11.2	.701	9.80	14.0
August.....	.678	9.00	13.3	.726	6.90	9.5	.746	10.30	13.8
September.....	.744	8.85	13.8	.723	7.25	10.0	.788	10.70	13.6
October.....	.705	7.50	10.9	.664	7.90	11.9	.776	9.80	12.6
November.....	.628	7.50	11.9	.590	6.65	11.2	.798	9.60	12.0
December.....	.573	7.10	12.4	.534	6.40	12.0	.816	9.95	12.3

* The price of corn given is the average of the monthly farm prices in the states of Ohio, Indiana, Illinois, Iowa, Nebraska, Missouri, Minnesota, and South Dakota.

SOURCE: Based on data published by the U. S. Department of Agriculture.

⁴See page 72.

As to hogs farrowed next spring (1918), we will try to stabilize the price so that the farmer can count on getting, for each 100 pounds of hog ready for market, 13 times the average cost per bushel of the corn fed into the hogs.

In an earlier sentence in this statement⁵ the Food Administration had indicated that the ratio of 13 to 1 was only a convenient yardstick with which to measure the general cost of producing hogs. Owing to the activities chiefly of one farm journal, an attempt was made to interpret this into a ratio of 13 to 1 to each farmer at his railway station. It was never intended nor even asserted in any committee discussion that this ratio should apply in any such manner as this, which would have been impossible to administer. Furthermore, this was clearly neither the recommendation of the farmers' committee which proposed it as a yardstick, nor was it included in the statements of the Food Administration. As was evident from the report of the Committee on the Cost of Producing Hogs and as was explained many times, what was meant was that the Food Administration would try to adjust its minimum price at Chicago and other large markets so that, for the bulk of the hogs produced, the price at that

CORN-HOG RATIO—FARM PRICE OF CORN IN EIGHT LEADING CORN AND HOG STATES AND THE CHICAGO AVERAGE PRICE OF HOGS*

1917			1918			1919			1920		
Corn per Bushel	Hogs per 100 Pounds	Ratio	Corn per Bushel	Hogs per 100 Pounds	Ratio	Corn per Bushel	Hogs per 100 Pounds	Ratio	Corn per Bushel	Hogs per 100 Pounds	Ratio
\$0.828	\$10.90	13.2	\$1.239	\$16.30	13.2	\$1.345	\$17.60	13.1	\$1.305	\$14.97	11.5
.901	12.45	13.8	1.260	16.65	13.2	1.265	17.65	13.9	1.365	14.55	10.7
.942	14.80	15.7	1.395	17.10	12.3	1.241	19.10	15.4	1.346	14.94	11.1
1.081	15.75	14.6	1.393	17.45	12.8	1.399	20.40	14.6	1.465	14.79	10.2
1.439	15.90	11.1	1.401	17.45	12.5	1.549	20.60	13.3	1.589	14.28	9.0
1.506	15.50	10.6	1.361	16.60	12.2	1.628	20.40	12.5	1.749	14.68	8.4
1.571	15.20	9.7	1.393	17.75	12.8	1.661	21.85	13.1	1.716	14.84	8.7
1.960	16.90	8.6	1.460	19.00	13.0	1.845	20.00	10.9	1.428	14.74	10.3
1.631	18.20	11.2	1.528	19.65	12.9	1.760	17.45	9.9	1.406	15.88	11.3
1.604	17.15	10.7	1.463	17.70	12.1	1.419	14.35	10.1	1.033	14.17	13.7
1.385	17.40	12.6	1.231	17.70	14.4	1.203	14.20	11.8	.713	11.83	16.6
1.179	16.85	14.3	1.229	17.55	14.3	1.244	13.60	10.9	.539	9.55	17.7

* The price of corn given is the average of the monthly farm prices in the states of Ohio, Indiana, Illinois, Iowa, Nebraska, Missouri, Minnesota, and South Dakota.

SOURCE: Based on data published by the U. S. Department of Agriculture.

⁵See page 38.

market would bear some such relation to the average farm price of the corn which was fed into these hogs. As a matter of fact, the method employed by the Food Administration was to announce from time to time a definite price for hogs at Chicago, below which they would try to prevent the market from falling. In determining this minimum price the Food Administration always had the advice of representative swine producers, as well as of the Agricultural Advisory Committee.

The committees of hog producers and others clearly recommended that the price ratio should apply to corn and hogs produced in the Corn Belt states and advised that the farm price of corn in the eight leading corn and hog states should be used as a basis. The states named for this purpose were: Ohio, Indiana, Illinois, Iowa, Nebraska, Missouri, Minnesota, and South Dakota. These eight states, on the average, produce about 60% of the total corn crop of the United States and contain between 60% and 70% of the total number of hogs in the country.

The 13 to 1 ratio was clearly stated as applying to pigs farrowed in the spring of 1918 and which would, therefore, be ready for market from about October, 1918, to March, 1919. Consequently, there was no definite obligation for the Food Administration to maintain this ratio prior to the fall marketing period of 1918. Nevertheless, it was to be assumed that in the intervening period the minimum price to be maintained would bear some relation to this ratio.

The method of using a ratio with the price of corn in determining a fair price for hogs worked perfectly satisfactorily as long as the price of corn was rising or remained relatively stationary. But the moment that the price of corn began to decline in anticipation of the end of the war, hog producers felt that any rigid interpretation of such a ratio would inevitably result in steadily declining hog prices. Consequently, at such a period as in the late summer of 1918, just as the product of the assurances began to come to the market, producers began to crowd their hogs on the

market in an attempt to get the top price. The serious difficulties which this brought about and the necessity for abandoning the 13 to 1 ratio in the interests of the hog producers have been pointed out in Chapter VI (page 71).

Following the relatively high prices of hogs in 1916 and the early part of 1917, the ratio between these prices dropped very low in the middle of 1917 so that in August it required only 8.6 bushels of corn⁶ at the average farm prices in these eight states to equal the value of 100 pounds of hogs at Chicago. After the statement of policy relative to hog prices by the Food Administration in November, 1917, this ratio rose to 12.6 and to 14.3 in December. After the first few months of 1918 this ratio fell below 13, although for most of the year it was near that figure. In October, 1918, when the assurance was to be effective, the exceptionally heavy marketing⁷ of hogs forced this ratio down to 12.1, which was the lowest reached at any time during the existence of the Food Administration plan for the stabilization of pork prices. Following this, however, the minimum price of hogs was raised to \$17.50 per hundred at Chicago and the ratio rose to 14.4 in November, 1918, and remained above 13 until June, 1919. Thus, for the period during which pigs farrowed in the spring of 1918 were ready for market, the corn-hog ratio remained above 13, with the possible exception of the short period in October, 1918, which, as stated above, was due to panic marketing, for fear of a fall in the price of corn. In spite of the difficulties which were experienced in maintaining the pork market after the Armistice, the Food Administration managed to keep its promise to the producers made in November, 1917, namely, that they could count on getting, for each 100 pounds of hog, 13 times the cost of the corn fed.

The preceding facts show that the promises made to producers by the Food Administration were fulfilled. There

⁶See Figure 14 and table on pages 188-189.

⁷See page 69.

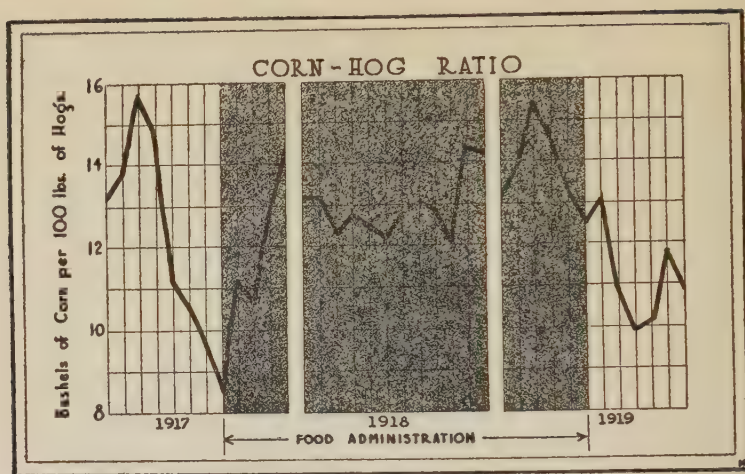


Figure 14: The marked increase in the price of corn in the summer of 1917 brought the ratio to the price of hogs down until it required only 8.6 bushels of corn at farm prices to equal the price of 100 pounds of hog, live weight, at Chicago. The announcement, in November, 1917, of the Food Administration policy to stabilize hog prices brought this ratio up to the neighborhood of 13 bushels of corn to 100 pounds of live hog, and the ratio was maintained in this neighborhood throughout the existence of the Food Administration.

remains the further question as to whether the prices of hogs during this period were high enough to return a fair profit to the producer.

This question may be approached from several angles, among which are the following: (1) Were hog prices relatively as high as those for other staple products? (2) Would a given quantity of hogs purchase as much of other commodities as it did before the war? The following discussion, together with diagrams and supporting data, is designed to answer these and related questions.

WERE HOG PRICES AS HIGH AS THOSE OF OTHER FARM PRODUCTS?

According to the data compiled by the United States Department of Agriculture, the average farm price of hogs

RELATIVE FARM PRICES OF HOGS AND CERTAIN OTHER FARM PRODUCTS

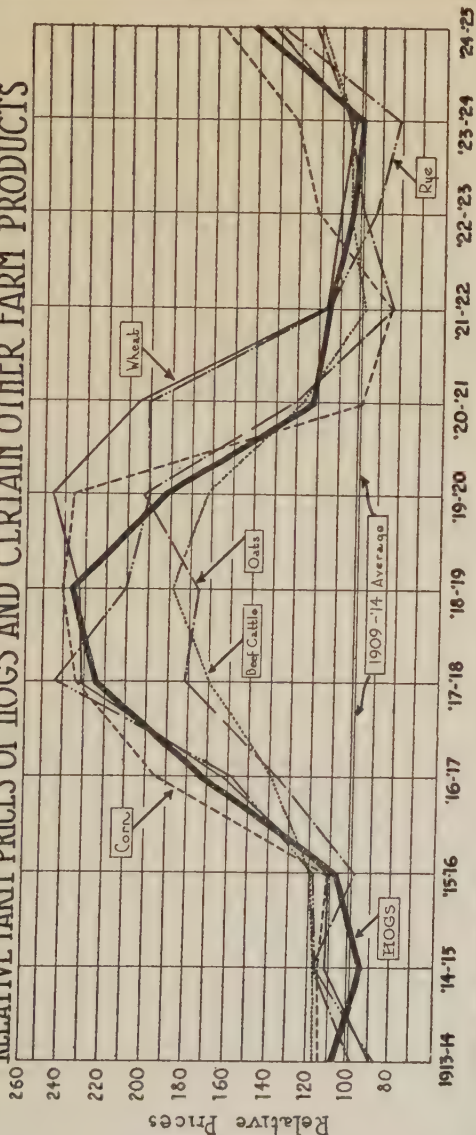


Figure 15: The price of all farm products rose sharply after the beginning of the war. This diagram shows that the price of hogs rose relatively as high as most other important farm products. During the crop years 1917-1918 and 1918-1919, the relative price of hogs was at practically the same level as those for wheat and corn but much higher than those for beef cattle, oats, and many other products.

for the pre-war years 1910 to 1914⁸ was \$7.01 per 100 pounds. Setting this price equal to 100 and expressing the average price of hogs in the other years on this scale gives a relative or index number which expresses the relative change in the later years compared with the base period, 1910 to 1914 in this instance. The difference between such a relative number and 100 gives at once the percentage increase or decrease in the price compared with the base period. Thus, the relative farm price of hogs in the period of Food Administration assurance, 1917-1918, was 225, which means that this average price was 125% above the pre-war average price. The prices of the other products may be reduced to relative numbers in the same manner.⁹

Figure 15 shows the course of the relative price of several of these farm products. It will be noted that the average relative price of hogs was higher than many other products and that those which exceeded it did so by small margins for the period of the Food Administration assurances.

⁸Four-year average price, since the Department does not give a farm price for hogs prior to January, 1910.

⁹The following table gives the absolute and relative farm prices for a number of important farm products:

COMPARISON OF ABSOLUTE AND RELATIVE YEARLY AVERAGE FARM PRICES
FOR CERTAIN IMPORTANT FARM PRODUCTS
(Crop Years 1914 to 1925, and the Five-Year Pre-War Average)

Crop Year	HOGS*		CORN*		WHEAT†		OATS‡		RYE†	
	Per 100 Lbs. (Dollars)	Relative	Per Bushel (Cents)	Relative	Per Bushel (Cents)	Relative	Per Bushel (Cents)	Relative	Per Bushel (Cents)	Relative
1910-1914 Average§	7.01	100	63.2	100	88.7	100	39.6	100	72.2	100
1913-1914.....	7.60	108	71.9	114	79.3	89	39.0	98	63.0	87
1914-1915.....	6.69	95	72.7	115	99.4	112	45.9	116	83.4	116
1915-1916.....	7.61	109	70.1	111	98.2	111	39.4	99	85.3	118
1916-1917.....	12.10	173	124.2	197	144.4	163	53.8	136	114.6	159
1917-1918.....	15.78	225	147.6	234	205.8	232	72.1	183	176.5	244
1918-1919.....	16.60	237	152.1	241	206.3	233	69.4	176	152.7	211
1919-1920.....	13.43	192	150.1	237	218.6	246	79.9	203	144.6	200
1920-1921.....	8.52	122	62.6	99	182.9	206	51.0	130	145.0	201
1921-1922.....	8.10	116	53.4	84	104.4	118	33.0	84	83.0	115
1922-1923.....	7.34	105	76.6	121	98.0	110	39.1	99	67.8	94
1923-1924.....	7.06	101	83.1	131	92.4	104	42.4	107	59.8	82
1924-1925.....	10.66	152	106.8	169	127.8	144	48.7	123	100.1	139

HOW DID THE PRICE OF HOGS COMPARE WITH THOSE FOR IMPORTANT NON-AGRICULTURAL RAW MATERIALS?

Iron, steel, copper, coal, sulphuric acid, and many other non-agricultural products were brought into greatly increased demand by the war. For the most part, the prices of these commodities were definitely fixed by the War Industries Board or later by the so-called Price Fixing Committee, or, in the case of fuels, the prices were controlled by the United States Fuel Administration.

The problems in these raw materials in many respects were very similar to those connected with foods. These materials were vitally essential to the conduct of the war and they were needed in greatly increased quantities. Hence, it was necessary to fix prices high enough to stimulate production. In one respect, at least, the problem was somewhat simpler. The cost of production could be computed rather accurately, which was not the case with agricultural

*COMPARISON OF ABSOLUTE AND RELATIVE YEARLY AVERAGE FARM PRICES
FOR CERTAIN IMPORTANT FARM PRODUCTS
(Crop Years 1914 to 1925, and the Five-Year Pre-War Average)

BEEF CATTLE†		BUTTER‡		HAY, LOOSE†		POTATOES†		COTTON‡		WOOL¶	
Per 100 Lbs. (Dol- lars)	Rela- tive	Per Lb. (Cents)	Rela- tive	Per Ton (Dol- lars)	Rela- tive	Per Bushel (Cents)	Rela- tive	Per Lb. (Cents)	Rela- tive	Per Lb. (Cents)	Rela- tive
5.24§	100	25.2§	100	11.83	100	69.0	100	12.3	100	17.6§	100
6.12	117	25.1	100	11.49	97	70.6	102	12.5	102	17.7	101
6.12	117	25.7	102	10.92	92	58.0	84	7.4	60	22.8	130
6.24	119	28.0	111	10.40	88	70.8	102	11.2	91	27.9	159
7.31	139	35.9	142	11.22	95	166.3	241	17.7	144	47.8	272
8.92	170	42.7	169	16.30	138	122.5	178	27.2	221	57.9	329
9.85	188	59.3	200	19.42	164	125.6	182	28.8	234	50.3	289
9.00	172	54.3	216	21.27	180	223.8	324	35.0	285	39.1	222
6.76	129	37.0	147	16.65	141	131.5	191	17.2	140	16.4	93
5.18	99	35.3	140	11.74	99	121.3	176	16.9	137	29.8	169
5.55	106	40.4	160	11.67	99	73.9	107	23.5	191	38.9	221
5.57	106	39.4	156	12.98	110	94.2	137	29.0	236	36.9	210
6.29	120	43.4	172	12.68	107	76.5	111	23.0	187	39.4	224

* Years beginning November 15.

† Years beginning July 15.

‡ Years beginning August 15.

¶ Calendar years.

§ Five-year average, 1910-1914.

SOURCE: U. S. Department of Agriculture.

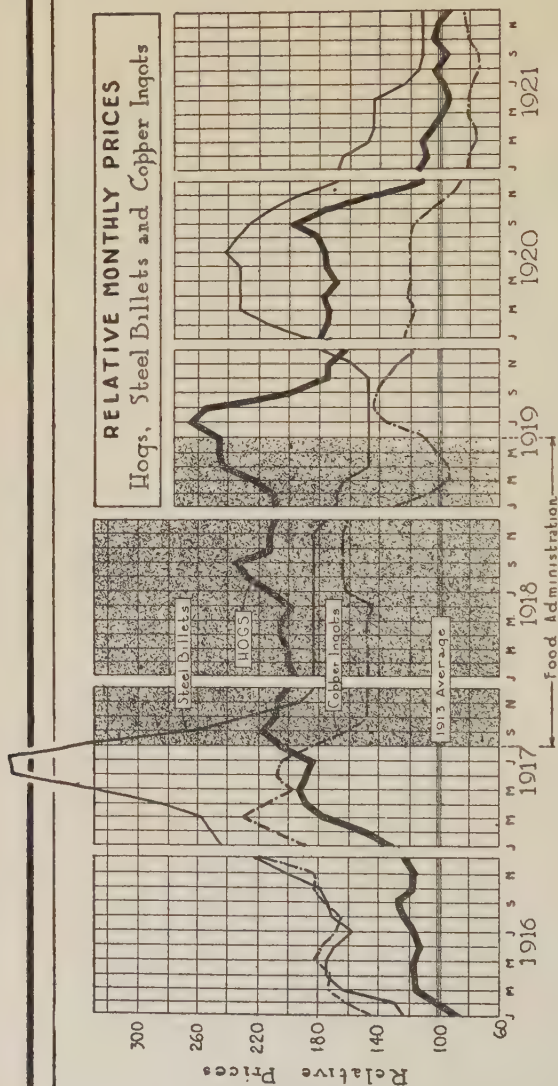


Figure 16: Iron, steel, copper, coal, chemicals, and many other raw materials were vitally necessary to the prosecution of the war. Prices of many of these products rose to new and unheard of price levels in the summer of 1917. In the fall of that year the War Industry Board fixed the prices of these products and, as shown in this diagram for steel and copper, these fixed prices, on a relative basis, were well below the relative prices of hogs maintained under the price stabilization policy of the Food Administration.

products, many of which are so dependent upon the weather and other environmental conditions.

Figure 16 gives a graphic comparison of the monthly relative market price of hogs and the corresponding relative prices of steel billets and copper ingots.¹⁰ It will be seen at once that the prices of steel and copper soared to much

¹⁰The following table gives the actual and relative prices of these and certain other raw materials:

COMPARISON OF THE ABSOLUTE AND RELATIVE PRICES OF HOGS WITH THE PRICES OF BASIC NON-AGRICULTURAL PRODUCTS

Relative Prices Based on 1913 Average—100*

Year and Month	Hogs, Heavy Chicago		Steel Billets, Bessemer Pittsburgh		Copper Ingots, Electrolytic New York		Coal, Bituminous, Kenawa, Run of Mine Cincinnati		Sulphuric Acid, 66° New York	
	Per 100 Lbs.	Relative	Per Ton	Relative	Per Lb.	Relative	Per Ton	Relative	Per Lb.	Relative
1916										
January....	\$ 7.37	88	\$32.00	124	\$0.229	146	\$2.20	100	\$0.020	200
February....	8.38	100	33.50	130	.254	161	2.20	100	.025	250
March.....	9.68	116	42.40	164	.270	172	2.20	100	.025	250
April.....	9.74	117	45.00	174	.269	171	2.20	100	.025	250
May.....	9.93	119	45.00	174	.285	182	2.20	100	.025	250
June.....	9.63	115	43.50	169	.280	178	2.20	100	.025	250
July.....	9.83	118	41.00	159	.265	169	2.20	100	.020	200
August.....	10.34	124	44.20	171	.260	166	2.20	100	.015	150
September..	10.74	128	45.00	174	.278	177	2.50	114	.015	150
October.....	9.87	118	46.25	179	.285	182	3.75	170	.015	150
November...	9.99	119	52.00	202	.286	182	3.75	170	.015	150
December...	10.25	123	57.50	223	.345	220	4.50	205	.015	150
1917										
January....	10.96	131	63.00	244	.295	188	4.50	205	.015	150
February....	12.58	150	65.00	252	.330	210	5.00	227	.015	150
March.....	14.79	177	66.25	257	.363	230	5.00	227	.018	175
April.....	15.79	189	73.75	286	.340	216	5.00	227	.018	175
May.....	16.09	192	86.00	334	.310	197	6.00	273	.018	175
June.....	15.71	188	98.75	383	.325	207	6.00	273	.015	150
July.....	15.46	185	100.00	388	.318	202	5.00	227	.015	150
August.....	17.33	207	86.00	334	.290	184	4.40	200	.018	175
September..	18.33	210	66.25	257	.253	161	3.30	150	.018	175
October.....	17.59	210	49.38	192	.235	149	3.30	150	.018	175
November...	17.46	209	47.50	184	.235	149	3.75	171	.018	175
December...	16.85	201	47.50	184	.355	149	3.75	171	.020	200
1918										
January....	16.30	195	47.50	184	.235	149	3.60	164	.020	200
February....	16.72	200	47.50	184	.235	149	3.60	164	.021	213
March.....	16.83	201	47.50	184	.235	149	3.60	164	.023	252
April.....	17.15	205	47.50	184	.235	149	3.60	164	.023	225
May.....	17.26	206	47.50	184	.235	149	3.85	175	.020	200
June.....	16.82	199	47.50	184	.230	146	3.75	171	.017	168
July.....	17.72	212	47.50	184	.255	162	4.10	186	.014	140
August.....	19.19	229	47.50	184	.260	165	4.10	186	.014	140
September..	19.73	236	47.50	184	.260	165	4.10	186	.014	140
October.....	17.85	213	47.50	184	.260	165	4.10	186	.013	125
November...	17.81	213	47.50	184	.260	165	4.10	186	.013	125
December...	17.58	210	45.10	175	.254	161	4.10	186	.013	125

(Footnote continued on page 198)

higher relative prices than hogs in the early part of 1917 due to the uncontrolled war demand. In September, 1917, the War Industries Board, by agreement with the producers, fixed the price of steel ingots at \$47.50 per ton and copper at 23.5 cents per pound. The price of copper was later raised to 26 cents. It will be seen that both of these materials were maintained at a far lower relative price throughout the war than was the case with hogs. Thus, in Oc-

(Footnote continued from page 197)

Year and Month	Hogs, Heavy Chicago		Steel Billets, Bessemer Pittsburgh		Copper Ingots, Electrolytic New York		Coal, Bituminous, Kenawa, Run of Mine Cincinnati		Sulphuric Acid, 66° New York	
	Per 100 Lbs.	Rela- tive	Per Ton	Rela- tive	Per Lb.	Rela- tive	Per Ton	Rela- tive	Per Lb.	Rela- tive
1919										
January....	\$17.54	210	\$43.50	169	\$0.204	130	\$4.10	186	\$0.013	125
February....	17.64	211	43.50	169	.173	110	4.00	182	.011	110
March.....	18.96	227	42.25	164	.151	96	4.00	182	.009	93
April.....	20.50	245	38.50	149	.153	97	4.00	182	.008	83
May.....	20.76	248	38.50	149	.160	102	4.00	182	.008	80
June.....	20.67	247	38.50	149	.176	112	4.00	182	.008	80
July.....	22.28	266	38.50	149	.215	137	4.00	182	.008	80
August.....	21.33	255	38.50	149	.228	145	4.00	182	.008	80
September...	17.00	203	38.50	149	.222	141	4.50	205	.010	98
October.....	14.66	175	38.50	149	.217	138	4.50	205	.010	100
November....	14.64	175	41.38	160	.204	130	4.10	186	.011	110
December....	13.69	164	46.40	180	.187	119	4.10	186	.011	110
1920										
January....	15.09	180	48.00	186	.193	123	4.10	186	.011	110
February....	14.51	174	55.25	214	.191	121	4.10	186	.011	110
March.....	14.44	173	60.00	233	.186	118	4.10	186	.012	118
April.....	14.81	177	60.00	233	.192	122	5.50	250	.012	120
May.....	13.98	167	60.00	233	.191	121	6.00	273	.012	120
June.....	14.73	176	60.00	233	.190	121	6.00	273	.012	120
July.....	14.86	178	62.50	242	.190	121	6.00	273	.011	114
August.....	15.13	181	61.00	237	.190	121	6.00	273	.011	109
September...	16.54	198	58.75	228	.187	119	7.10	323	.011	110
October.....	14.78	177	55.00	213	.168	107	7.10	323	.011	110
November....	12.12	145	49.70	193	.146	93	7.10	323	.011	108
December....	9.54	114	43.50	169	.137	87	7.10	323	.009	93
1921										
January....	9.84	116	43.50	169	.129	82	5.60	255	.009	92
February....	9.31	110	42.25	164	.129	82	5.10	232	.010	98
March.....	9.56	112	38.40	149	.122	78	4.85	221	.010	100
April.....	8.72	103	37.50	145	.125	79	4.85	221	.010	95
May.....	8.43	99	37.00	144	.128	82	4.85	221	.009	90
June.....	8.09	95	37.00	144	.128	82	4.60	209	.009	90
July.....	8.41	99	32.25	125	.125	80	4.60	209	.009	90
August.....	8.78	103	29.60	115	.117	75	4.10	186	.009	90
September...	8.38	98	29.00	113	.120	76	4.10	186	.009	90
October.....	8.88	104	29.00	113	.127	81	4.10	186	.009	85
November....	8.56	101	29.00	113	.130	83	4.10	186	.009	85
December....	8.22	97	29.00	113	.136	86	3.85	175	.009	85

* In some instances the relative prices have been computed by using more decimal places than are shown in this table. This accounts for some apparent discrepancies.

SOURCE: Bureau of Labor Statistics, U. S. Department of Labor.

tober, 1918, the relative price of hogs, based on the 1913 average price as 100, was 213, while the corresponding relative price of steel ingots was 184 and of copper ingots 165. For the first 6 months after the Armistice the price of hogs rose, reaching a peak of 266, while during this period the prices of both steel and copper declined, the latter even falling below the pre-war average price. It is obvious, therefore, that hog producers received much higher prices for their product, compared with pre-war price levels, than did the producers of such essential raw materials as steel and copper.

PURCHASING POWER OF HOGS IN TERMS OF ALL COMMODITIES

One further feature of the relative price of hogs during the war may be examined in this connection. This relates to the purchasing power of hogs in terms of other commodities. The usual method of measuring purchasing power is to compare the index number of the two products or groups of products. The wholesale price index compiled by the United States Department of Labor is based on more than 400 commodity quotations weighted according to their relative importance in commerce. This "all commodity" index is generally taken as representing the trend of the prices of the commodities which the average person has to buy. A comparison of the changes in this index number with the changes in relative prices of hogs, using the same base period, indicates whether a given quantity of hogs will buy more or less of other commodities than they would during the base period.

The relation of the Food Administration activities to the relative purchasing power of hogs can best be seen when these figures are computed on a monthly basis. For this purpose, use has been made of the average monthly price of hogs at Chicago as compiled by the United States Department of Agriculture. There is normally a marked seasonal movement to hog prices which is much greater than that of

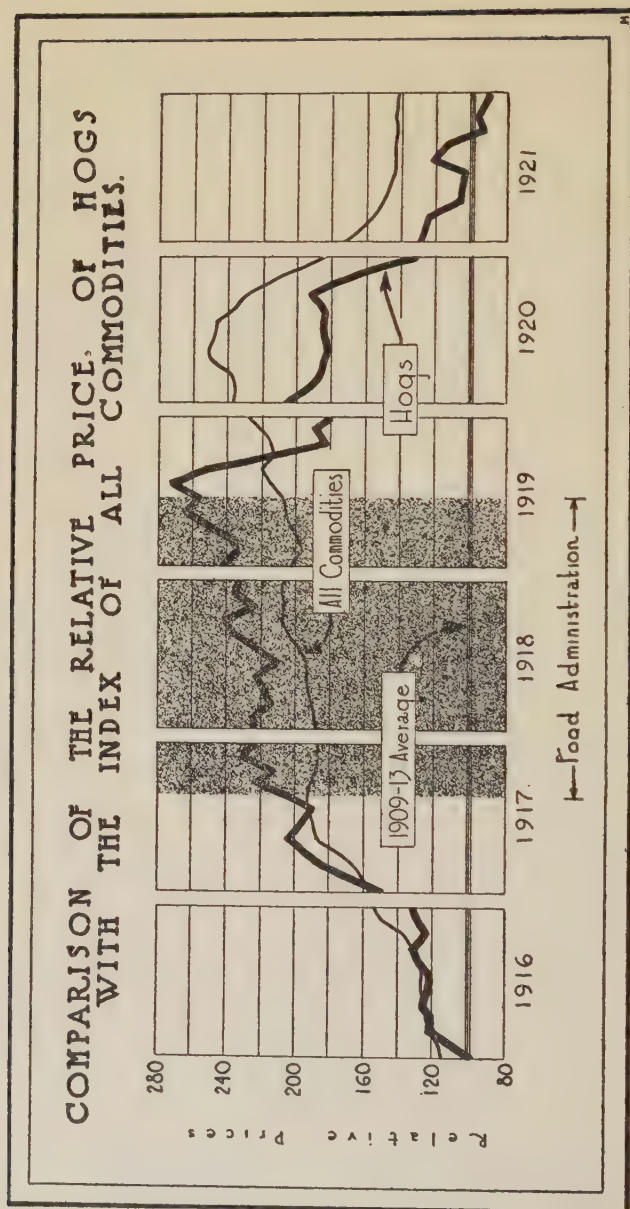


Figure 17: Throughout the period of the Food Administration the relative market price of hogs was well above the relative index price of all commodities, both measured from the same pre-war average. This shows that during this period the hog producer was able to purchase a larger amount of other commodities with each 100 pounds of hogs sold than he could do before (or since) the war.

PURCHASING POWER OF THE CHICAGO PRICE OF HOGS
IN TERMS OF ALL COMMODITIES

PURCHASING POWER OF THE CHICAGO H

1909-19

Month	1914			1915			1916	
	All-Commodity Price Index	Hog Price Index	Purchasing Power of Hogs	All-Commodity Price Index	Hog Price Index	Purchasing Power of Hogs	All-Commodity Price Index	Hog Price Index
January.....	100.0	114.3	114	100.0	95.0	95	115.3	99
February.....	101.0	115.7	115	101.0	91.5	91	117.3	110
March.....	100.0	108.5	109	101.0	84.1	80	121.3	120
April.....	100.0	107.6	108	101.0	90.8	89	123.4	121
May.....	98.9	108.2	109	102.0	97.3	95	124.4	126
June.....	98.9	103.8	105	101.0	96.2	95	125.5	122
July.....	98.9	108.8	109	102.0	96.9	95	125.5	122
August.....	103.0	112.5	108	102.0	86.3	82	128.5	128
September...	104.0	108.6	104	102.0	89.0	85	132.6	131
October.....	98.9	96.5	98	104.0	99.6	95	138.7	123
November...	98.9	100.3	101	106.0	88.9	81	148.9	128
December...	98.9	94.7	96	110.0	85.3	82	152.0	132

Month	1920			1921			1922	
	All-Commodity Price Index	Hog Price Index	Purchasing Power of Hogs	All-Commodity Price Index	Hog Price Index	Purchasing Power of Hogs	All-Commodity Price Index	Hog Price Index
January.....	237.7	206.2	87	173.4	129.6	75	140.8	110
February.....	236.6	195.8	83	163.2	126.8	78	143.8	133
March.....	238.7	186.3	78	158.1	124.7	79	144.8	130
April.....	249.9	184.0	74	151.0	105.7	70	145.8	128
May.....	251.9	182.8	73	147.9	106.9	72	151.0	134
June.....	247.9	185.8	75	144.8	103.7	72	153.0	130
July.....	245.8	185.5	76	143.8	121.1	84	158.1	121
August.....	235.6	184.3	78	144.8	115.7	80	158.1	100
September...	230.5	194.8	85	143.8	93.3	65	156.1	107
October.....	215.2	178.7	83	144.8	97.4	67	157.1	111
November...	199.9	158.2	79	143.8	93.7	65	159.1	107
December...	182.6	131.3	72	142.8	92.3	65	159.1	109

* All-commodity index reduced to five-year average, 1909-1913.

† Hog price index computed from data from U. S. Department of Agriculture, with seasonal variation eliminated.

PRICE OF HOGS IN TERMS OF ALL COMMODITIES*

AVERAGE = 100 †

	1917			1918			1919		
	All-Com- modity Price Index	Hog Price Index	Pur- chasing Power of Hogs	All-Com- modity Price Index	Hog Price Index	Pur- chasing Power of Hogs	All-Com- modity Price Index	Hog Price Index	Pur- chasing Power of Hogs
84	156.1	150.1	96	187.7	224.5	120	203.0	242.4	119
94	160.1	167.6	105	189.7	224.1	118	196.9	237.5	121
99	165.2	184.5	112	190.7	213.2	112	199.9	238.2	119
98	176.5	195.9	111	193.8	217.0	112	203.0	253.7	125
100	186.7	203.6	109	193.8	223.4	115	206.0	263.8	128
98	188.7	196.2	104	194.8	210.1	108	207.1	258.2	125
98	191.8	190.0	99	199.9	221.9	111	216.2	273.1	126
100	192.8	211.3	110	204.0	237.5	116	220.3	250.0	114
99	190.7	223.3	117	208.1	241.1	116	214.2	214.1	100
89	186.7	216.3	116	206.0	223.2	108	215.2	181.0	84
86	186.7	232.6	125	207.1	236.6	114	221.3	189.8	86
87	185.6	224.7	126	206.0	234.0	114	227.5	181.3	80

	1923			1924			1925		
	All-Com- modity Price Index	Hog Price Index	Pur- chasing Power of Hogs	All-Com- modity Price Index	Hog Price Index	Pur- chasing Power of Hogs	All-Com- modity Price Index	Hog Price Index	Pur- chasing Power of Hogs
78	159.1	114.2	72	154.0	97.8	64	163.3	143.0	89
93	158.1	107.9	68	155.0	95.0	61	163.9	142.7	89
90	162.2	101.4	62	153.0	91.7	60	164.3	169.0	105
88	162.2	100.5	62	151.0	91.6	61	159.4	156.1	100
89	159.1	96.4	61	149.9	94.0	63	158.4	154.5	100
86	156.1	87.6	56	147.9	89.1	60	160.6	159.1	101
77	154.0	88.0	57	149.9	96.0	64	163.2	168.2	105
64	153.0	95.6	63	153.0	117.2	77	163.7	158.2	99
69	157.1	102.5	65	152.0	117.4	77	163.0	153.6	96
71	156.1	93.6	60	155.0	125.0	81	160.8	142.6	91
68	155.1	91.6	59	156.1	120.0	77	160.9	150.8	96
69	154.0	91.6	60	160.1	125.0	78	159.4	146.3	94

the all-commodity index. In order to reduce this seasonal movement to a minimum, index numbers of these Chicago monthly hog prices have been computed by using the five-year, 1909-1913, average price of hogs for the month of January as the base in computing all January index numbers and likewise the five-year average February price in computing the February index numbers, and so on. This, to a large extent at least, has removed the seasonal trend from the resulting index numbers and renders them more nearly comparable with the all-commodity index.

These index numbers of the Chicago hog prices, together with the monthly "all-commodity" index of the Department of Labor shifted to a five-year, 1909-1913, average base, are shown in Figure 17.¹¹

The purchasing power of hogs in terms of "all commodities" was below the pre-war average from the beginning of 1915 to the early part of 1917. It rose very sharply in November, 1917, when the stabilization plan of the Food Administration was put into effect. Throughout 1918 and the first half of 1919, while the stabilization was in effect, the purchasing power of hogs remained at a high level, but since September, 1919, it has been below normal, at many times reaching exceptionally low values.

These data show that the war period, and particularly the period from November, 1917, to the early part of 1919, represents the most prosperous period for the hog-producer of any time in the last decade.

The results of these several investigations show that the methods adopted by the Food Administration for the stabilization of hog prices resulted in better and more profitable returns to the producer than either before or after this period.

It has been shown in the preceding chapters that the

¹¹These data are shown in the accompanying table, to which there has been added the computed relative monthly purchasing power of hogs in terms of all commodities. The difference between the figure for purchasing power and 100 shows the percentage which the purchasing power of hogs is above or below the average for the base period, that is, 1909-1913.

stabilized price was maintained in the face of what often seemed to be insuperable difficulties. It has been shown that particularly during the Armistice period, Mr. Hoover and his staff waged, single-handed, one of the hardest struggles ever fought in the interests of the American farmer. Any one with less courage or less determination or less sense of obligation to the producers would have given up many times during these grueling months. It was Mr. Hoover's keen analysis of the situation, his energy, his tact and ability in handling delicate and difficult situations, and above all his bulldog determination never to give up, that brought this struggle to a successful finish and resulted in the return of many millions of dollars to the American hog-growers which otherwise they would not have received.

XVIII

WHAT AMERICAN FOOD MEANT TO EUROPE IN 1919

Food and economic conditions in Central and Southern Europe after the Armistice. Economic embargoes. Financial difficulties. Work of Director General of Relief. Vast program of shipping and finance. Deliveries for cash, credit, or charity. Distribution of supplies. Children's relief. Magnitude and importance of relief work.

SOME reference has been made in Chapters VII and XI to the serious food and economic conditions in both the liberated and enemy countries of Europe after the Armistice. It is not out of place to outline here, very briefly, what some of these conditions were and to point out the service to humanity and to civilization that was made possible by the surplus food from American farms in this reconstruction period.

It is difficult for us, in America, living in a country which always produces an excess of food and raw materials, to have even the faintest idea of what it means to face absolute want in food. A few times during the war, we were unable to purchase as much sugar as we desired and, in a few other commodities, the amount of our purchases was restricted, but we know nothing of what it means for a whole city to be without bread for weeks at a time.¹

¹The records of the American Relief Administration abound in heart-rending stories of the suffering of these people. Perhaps the following extract from a report of an American Army officer attached to the American Relief Administration at Riga will serve to bring home something of the indescribable situation in these countries. This report was made in the early part of June, 1919, shortly after the Bolsheviks had been driven from the city:

Scores of children and old people lined up on the quay all day long before the American Relief food ship "Lake Mary" and the British destroyer "Vancouver," in mute appeal for food. They fought for garbage from the ships' kitchens. With old tin cans tied to sticks they picked up pieces of garbage that were thrown overboard, even raw

For four years most of these countries had been under strict military discipline or military occupation. They had been unable to import commodities of any kind and they had been forced to plant and grow those things which the military authorities dictated. When their harvests were completed, their supplies, above a bare existence, were requisitioned. Factories had long since ceased to operate. There had been no economic life.

When the German armies withdrew from these territories, they took with them large supplies of food and raw materials, as well as railroad equipment and factory machinery. In addition, the war had destroyed the railroads, bridges, and public buildings, and the people had suffered so long they had no courage to undertake the hard work necessary for reconstruction.

Furthermore, immediately upon the signing of the Armistice some dozen new states sprang into existence. The old Austro-Hungarian Empire split asunder into six separate units. Poland proclaimed her independence, as did Finland and the three Baltic countries of Esthonia, Latvia, and Lithuania. Other countries, such as Serbia and Roumania, laid claims to vast territories outside their old domains. To hold and maintain the territories they claimed, each of these new countries set up large military organizations, and erected military and economic barriers at the borders. All trade and commerce, all interchange of commodities, even all travel between these countries, was at a standstill.

In the main, the new boundaries had been established along ethnological lines and not at all along economic lines. One country possessed all the best agricultural lands, while another possessed the coal fields and still a third the manufacturing and industrial establishments. Yet there could

potato peelings, a piece of gristle, or a crust of bread. Children and old women begged for the privilege of sweeping the quay when American flour was being unloaded and put in the warehouse. With their bare hands, or with a rag, they would sweep the stones for the little flour that dusted through the sacks, then pick out the larger particles of dust or dirt and put the remaining meager gleanings into their pockets, in a handkerchief, or directly into their mouths.

be no interchange of products. The factories could not run because they could secure neither coal nor raw material from their neighbors. For the same reason the countries with the coal and raw materials could not secure the manufactured articles of which they were in desperate need.

The feeling of racial hatred and distrust, intensified by the long period of war and suffering, would permit no lessening of this economic embargo. Even to secure the interchange of food products, for which they were in such great need, Mr. Hoover had to use all the diplomacy and threats which his position as practically food dictator of Europe permitted. Even without these economic barriers, the transportation systems were so demoralized that it would have been impossible to secure any regular or adequate interchange of products.

Such was the general economic situation, but it was intensified many-fold by the financial difficulties in which these governments found themselves. These newly established governments were without money; the people and their commerce were so impoverished by war that there was nothing which could be taxed. Their only recourse was the issue of paper money to which the only limit was the capacity of the printing presses. Naturally, this soon became of little more value than the paper upon which it was printed. Furthermore, so far as securing food was concerned, any kind of money was of very little use. The peasants soon found that if they sold their produce for currency, there was nothing which they could buy with the money. There were no clothing, no shoes, no implements to be had at any price, consequently trade was practically reduced to a system of barter. It was customary for families of the former wealthy class to take a pair of old shoes or a suit of old clothes into the country and trade these to the peasants for grain or other produce.

It is almost impossible to imagine the state of affairs which actually existed. There were absolutely no means of communication. It was impossible to mail a letter. There were

no telegraph or telephone lines and practically no trains. Not only was it utterly impossible for a business man in Warsaw to communicate with an associate in Prague, but it was almost equally impossible for him to communicate with a business associate in any other city in Poland. This condition was general throughout all of Central and Southern Europe.

Such were the conditions which existed when, in January, 1919, Mr. Hoover was made Director General of Relief by the Allied and Associated governments. Obviously, the first step in getting these people back to normal life was to give them sufficient food so they could go to work. While this was the main work of the Director General of Relief, much of his energy and of those associated with him was directed towards the reestablishment of normal economic conditions.²

When the Relief Administration closed this phase of its work at the end of August, 1919, many of the most serious conditions had been remedied through the activities of this organization. Communication systems had been reestablished throughout the whole of this territory. Railway

²The story of the relief work in Europe in the winter and spring of 1919 is one of intense and dramatic interest, but which can only be referred to here briefly. In the nine months between the Armistice and September 1, 1919, there were delivered to these suffering countries, under Mr. Hoover's direction, as Director General of Relief in Europe, more than 4,750,000 tons of foodstuff valued at approximately \$1,150,000,000. Of this, more than 70% came directly from the United States. In addition to the major task of arranging the finance, shipping, and distribution of this enormous quantity of food, the Director General of Relief found it necessary, among other things, to take over the control of the railroads in Southern and Central Europe; to establish and maintain some 10,000 miles of telegraph and telephone lines; to take over the management of coal fields in Central Europe; to arrange and maintain barge shipments on the Elbe, Vistula, and the Danube; to arrange and oversee the interchange of foodstuffs between Central and Southern European states; to manage the shipment of certain army stores in France; to ship from New York and distribute some 5,000 tons of Red Cross clothing; to establish and maintain an exchange system between America and Europe by which some \$7,000,000 were sent by Americans to relatives in the devastated countries; to facilitate the establishment of commercial relations between Central European firms and the outside world; to arrange for the importation of raw materials to these liberated countries and in general to assist in the reestablishment of some form of economic life in these stricken territories.



Photograph from the American Relief Administration.

Figure 18: An American Relief dining-room in Warsaw, Poland. In the spring of 1919 approximately 1,300 people were given their noonday meal in this room each day. Of this number about 100 a day paid nothing whatever, but the others paid ten marks each or approximately a half of one cent in American money. This, like other relief kitchens, was run by a local municipal committee but under the general supervision of American Relief Administration officers.



Photograph from the American Relief Administration

Figure 19: A group of undernourished children ready for their noonday meal. In 1919 more than 3,000,000 children in the devastated countries of Central and Southern Europe received one meal a day of cocoa, preserved milk, and bread as a gift from the American people. This work of child relief was continued, with the support of public charity in this country, for more than two years after the Armistice.

systems had been put into operation, a definite basis for the interchange of commodities between most of the new states had been established and to some extent commercial credits had been arranged between firms in these countries and the outside world, particularly in America.

By no means all of the economic ills had been cured in this short space of nine months, but an enormous amount had been accomplished and these countries were much farther along the road to reconstruction than would otherwise have been possible.

It has already been noted that Mr. Hoover, before leaving America in November, 1918, had arranged for the shipment and provisional financing of approximately 240,000 tons of foodstuffs to be available for the relief work. Delays which were encountered in the negotiations with the Allies made it nearly the middle of January, 1919, before arrangements were finally completed for the relief work. In the meantime, Mr. Hoover—and his staff—had made surveys of all the countries in serious distress, and he was, at once, able to lay his plans before the Associated Powers and to secure their approval.

The food which had already been shipped from the United States formed the nucleus of the immediate relief. Eighty thousand tons of this food was already in European ports by the middle of January and this was immediately directed to the areas of greatest suffering. The first relief food into Poland went to Lemberg in an armored train to prevent its capture by the Bolsheviks. It arrived there on the morning after the municipal stocks had been completely exhausted. Railroads and railroad equipment were commandeered and food supplies rushed from Adriatic ports into Czechoslovakia and Jugo-Slavia. Cargoes were dispatched to Roumania and the Black Sea districts where much of the population was existing on roots and grasses.

Monthly programs of the probable requirements of each country were prepared and on the basis of these, orders were placed as far in advance as possible with the Grain

Corporation in New York. From the middle of January to the middle of August, 1919, sailings of relief supplies from American ports averaged more than 50,000 tons per week. In all, more than 300 ships were employed in transporting these relief supplies from the United States, and at times, more than 70 cargoes were en route at the same time.³

Before any of these deliveries could take place, some provision had to be made for financing. To a considerable extent this was arranged through United States Treasury loans to certain of the liberated countries made at the direction of President Wilson. The appropriation of \$100,000,000 by Congress for relief purposes was also an important factor. Loans and additional supplies were also furnished by the European Allies and to a small extent by some of the neutral countries.

Wherever possible, deliveries were made for cash. This was the case with regard to all supplies furnished to Germany, as well as those to Bulgaria, Turkey, Holland, Denmark, Finland, and others. Of the total value of all supplies delivered under the direction of the Director General of Relief, approximately 30% were sold for cash; 67% delivered on credit; and 3% given as charity.⁴

Delivery of these relief supplies was made to more than 20 different countries of Europe and use was made of nearly 40 different ports. The deliveries were for the most part

³It is probable that the marine freight movements under the immediate direction of Edward M. Flesh, of the London office of the Grain Corporation, were the largest ever carried on under a single operating head. It is extraordinary that under the chaotic conditions prevailing and with the frequent changes in allocation of vessels en route, there was not a single serious error made in the execution of any of the programs outlined by the Paris office of the American Relief Administration. Credit is also due to the American Navy operating in European waters at this time under Admiral Sims. The communication facilities of the Navy were placed at the disposal of the Relief Administration and enabled the authorities to keep in touch with all vessels and to direct them to the ports where supplies were most urgently needed.

⁴The following table gives the approximate value of all supplies furnished by the respective governments and delivered under the direction of the Director General of Relief in the period between the Armistice and August 31, 1919:

turned over to the authorities of the respective governments for distribution. However, Relief officials, in all cases, kept in touch with these operations and saw to it that the food actually reached people in distress. Ordinarily, local committees were organized and municipal kitchens operated at which those deserving relief were fed. Conditions in different countries, of course, made it necessary to use different methods of distribution. The whole object was to insure that persons in actual need of food received it as far as supplies permitted.

A considerable portion of the food delivered as charity consisted of special supplies furnished to children. Shortly after the organization of the relief work, the pitiful condition of the children in the devastated regions attracted Mr. Hoover's attention. The children represented the future hope of Europe. They were to become the men and women who would control the future destinies of Europe and with whom the rest of the world must live.

Investigation in many of these countries showed that 90% of the children under 15 years were undernourished, and there was grave danger of permanent injury to their health. Rickets, scurvy, and tuberculosis were extremely prevalent. Reports from all sides showed that many of these children were so undernourished that they could no longer play or smile.

Certainly, quite apart from the humane element of relieving suffering, these were not the proper conditions under

(Footnote continued from page 208)

Supplies Furnished by	Paid for in Cash	Furnished on Credit	Given as Charity	Total	Per- centage of Total
United States.	\$177,725,019	\$672,066,212	\$30,939,174	\$880,730,405	76.7
British Empire.	77,842,867	38,544,336	3,497,618	119,884,821	10.3
France.	21,798,669	4,500,000	1,106,055	27,404,724	2.4
Italy.	19,096,827	2,021,250		21,118,077	1.9
Financed jointly by United States, United Kingdom, France, and Italy		48,000,000		48,000,000	4.2
Other Countries.	50,485,204		9,000	50,494,204	4.4
Total.	\$346,948,586	\$765,131,798	\$35,551,847	\$1,147,632,231	100.0
Percentage of Total	30.2	66.7	3.1	100.0	

which to bring up the men and women who were to control the future of Europe and perhaps of the world.

It was these considerations, among others, that led Mr. Hoover to inaugurate a child-feeding program in each of the liberated countries. It was proposed to make this a direct gift from the American people to the children of these countries. It was hoped that the effect of food arriving suddenly, from a distance, by an unseen hand, without price or obligation, would do much to develop their ideals of justice, altruism, and citizenship, and perhaps obliterate, to an extent, the degrading influences of horror and war through which they had passed.

With the beginning of the new harvest year of 1919, most of the countries of Europe were in a position to manage their own food supplies, for a time at least, and the official relief of Europe came to a close. At this time Mr. Hoover transformed the American Relief Administration into a purely charitable organization which continued to furnish relief to children in the liberated countries for another two years.

One might write volumes, replete with interest, on the relief work carried on in Europe in 1919 and subsequently. Enough has been given to show the needs of these countries and something of the magnitude of the work.

It is scarcely necessary to point out what this work meant to the people of Europe. Without it, Europe would have witnessed the greatest famine since the Thirty Years' War. The forces of Bolshevism and anarchy were rampant in the East. A hungry, starving, and hopelessly discouraged population furnished the most fertile ground for these movements which would undoubtedly have spread over Western Europe and perhaps farther.

It is not too much to say that this work was an important turning-point in the world's history. It not only prevented the spread of Bolshevism and anarchy, but it gave the people the courage to tackle the hard problems before them and it enabled the governments, both new and old, to get a grasp upon a situation that threatened the very heart of European civilization.

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